DOCUMENT RESUME

ED 370 180 EA 025 800

TITLE	An Examination of the Federal Role in School Finance. Hearings on Examining the Need for School Finance Reform, Focusing on the Adequacy of Educational Finance in the United States and Its Effect on the Quality of Education, before the Subcommittee on Education, Arts and Humanities of the Committee on Labor and Human Resources. United States Senate, 103rd Congress, First Session (July 26, 27, and August 3, 1993).
INSTITUTION	Congress of the U.S., Washington, D.C. Senate Subcommittee on Education, Arts and Humanities.
REPORT NO	ISBN-0-16-041731-7; Senate-Hrg-103-254
PUB DATE	93
NOTE	291p.
AVAILABLE FROM	U.S. Government Printing Office, Superintendent of Documents, Congressional Sales Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC12 Plus Postage.
DESCRIPTORS	*Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; *Federal Government; Federal Regulation; *Finance Reform; *Government Role; Hearings
IDENTIFIERS	Congress 103rd

ABSTRACT

This document contains proceedings of hearings which examined the need for school finance reform, with a focus on the adequacy of educational finance in the United States and its effect on the quality of education. They also explored whether or not there should be a federal role in educational finance, and if so, what that role should be, and what the expectations should entail. This document contains testimonies and prepared statements made by Senators, education and economics professors, educators, administrators, policy analysts, a Congressman, an attorney, the governor of Colorado, and the mayor of Baltimore. (LMI)

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ED 370 180

EA

S. HRG. 103-254

AN EXAMINATION OF THE FEDERAL ROLE IN SCHOOL FINANCE

HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES

OF THE

COMMITTEE ON

LABOR AND HUMAN RESOURCES

UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

EXAMINING THE NEED FOR SCHOOL FINANCE REFORM, FOCUSING ON THE ADEQUACY OF EDUCATIONAL FINANCE IN THE UNITED STATES AND ITS EFFECT ON THE QUALITY OF EDUCATION

JULY 26, 27, AND AUGUST 3, 1993

Printed for the use of the Committee on Labor and Human Resources

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U.S. GOVERNMENT PRINTING OFFICE
73-361cc WASHINGTON : 1993

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SCHOOL FINANCE: AN OVERVIEW

MONDAY, JULY 26, 1993

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF
THE COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room SD–430, Dirksen Senate Office Building, Senator Pell (chairman of the subcommittee) presiding.

Present: Senators Pell, Dodd, and Jeffords.

OPENING STATEMENT OF SENATOR PELL

Senator PELL. The subcommittee will come to order.

This marks the first in a series of subcommittee hearings on the difficult issue of school finance. Today we will look into the broad question of whether or not there should be a Federal role in education finance, and if so, what should that role be and how much do we expect to be accomplished at the Federal level.

During committee consideration of the Goals 2000: Educate America Act, several subcommittee members expressed strong interest in school finance. These hearings are the result of that interest. This afternoon's hearing will be followed by a hearing tomorrow morning to be chaired by Senator Dodd. It will focus on how we pay for our schools. On August 3, Senator Wellstone will chair a hearing to give us a grassroots perspective on equity in education; and Senator Simon will chair a field hearing in Illinois in the near future, and we are working with Senator Bingaman to accomplish his interests in a hearing perhaps in New Mexico.

Clearly, the primary vehicle for considering the Federal role in school finance is the upcoming reauthorization of the Elementary and Secondary Education Act. What we ultimate decide or decide not to do in this area will be done within the context of that reauthorization and that reauthorization alone.

Let me make clear that I have no preconceived position with respect to this issue. We are all aware of the complexity issue from State to State, and within the States, from community to community. I am equally aware that there are no easy answers. I know I speak for all my colleagues when I say that we are ready to learn more about this issue, and that we look to our witnesses not only to add to the store of our knowledge but also to counsel and advise us on how to proceed. This is without question one of the most perplexing and difficult questions confronting education today and one that we must examine with thoughtful and careful consideration.

I look forward to what we will learn today and the hearings to come.

I will now turn to Senator Dodd.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. Let me first of all begin by thanking you, Mr. Chairman. The distinguished chairman of the Subcommittee on Education has been a leader in creative ideas in education probably for longer than he cares to remember. But as I have often said long after we have all completed our service here, the name of Claiborne Pell will go down in history as one of our country's most innovative and creative thinkers in terms of educational policy. There are literally thousands of people today in the United States who are getting a better education because of things like the Pell Grant. Given this history of leadership, it is not unexpected that the distinguished senior Senator from Rhode Island would be taking the lead on an issue like this, which is one of the most perplexing problems, as he has said, facing our local communities and our States.

Mr. Chairman, just a few other thoughts, if I could. We begin today a very important series of hearings on school finance, and I look forward to being deeply involved in the discussion as to how we in the Federal Government might play a constructive role. This subject has been overlooked, in my view, for too many years on the national level as our States and local schools have struggled—and "struggled" is hardly an adequate word to describe what has gone on at the State and local level—to try to come up with needed dollars to support their educational efforts.

We often begin hearings on complex problems with a draft piece of legislation before us, our first cut, if you would, at a solution. That is normally how hearings are conducted. But today we are going to begin a very different process. All of us want to rectify the inequities in the current system and improve education for all children. But frankly, the best way to get there from here is unclear in this Senator's mind. Despite the fact that I know where I'd like to end up, I am not sure how we get there.

So to some extent, we start with a clean slate. I don't bring any baggage to this debate. I don't have a preconceived idea and notion, nor do, I think, most of my colleagues on the committee.

It is not clear, in my view, what the Federal role should be in this effort. Federal resources are limited. Everyone knows that. Today the Federal Government contributes only 6 percent of the dollars spent on elementary and secondary education.

But while the solutions are unclear, we can't forget what this is all about. It is about our children. Last week this committee heard compelling testimony from Joycelyn Elders about the importance of safeguarding our children, our country's most precious resource. Whether children become drugs statistics or dropout statistics, they are still lost to all of us. At its very core, school finance is fundamentally about children. If we stop putting a Federal label on them, a State label on them, a local jurisdiction label on them, and think about them as just children who have needs and about how we take whatever resources are available and start focusing them on the needs of children, regardless of some arbitrary, politically drawn boundary, then I think we might come to some answers

about this problem a little more readily, without the clutter of political definitions.

I make a practice of trying to visit a high school in my State each week when I am home. I have visited with students from every, single public high school in my State in the last 10 years, so students can have the chance to see their United States Senator and talk with me. At each school, I have met bright, talented young people. But the disparities I have seen in my own small State of Connecticut are alarming. In fact, in some cases, they are absolutely incredible when you consider the short distance, indeed walking distance, between some of the most incredible high schools in this country in terms of opportunity, and some of the most desperate in terms of need. The contrast is glaring. There are public high schools in my State that would literally stand up against a lot of college campuses, and that is not an exaggeration. They have beautifully manicured lawns, state-of-the-art labs, diverse course offerings, incredible athletic facilities. And then there are some, only miles away, that are struggling with old, deteriorating buildings. I remember I went into one school not long ago on a rainy day, and rain was pouring through the leaky ceiling into the reception area just in front of the principal's office.

My sister teaches in the largest inner city elementary school in my State in Hartford. I was with her not too long ago when she was out, doing some shopping, and she said she had to get some things for school. And when I asked her, "What do you need?" she said, "I've got to get pencils and paper and toilet paper." And I am not exaggerating—because there are not enough resources for those basic needs. And she is dealing with the youngest of our children, 3-, 4-, 5- and 6-year-olds in early childhood development programs.

So, my sister, a teacher in one of our most affluent States, goes out, and with her own resources out of her own pocket, buys pencils, and paper and toilet paper for her students. I don't know of anyone in this country who would be proud to think that sort of thing happens. And yet it does, every, single day. Teachers buy basic supplies, roofs leak, and children's education suffers.

And it isn't just my State. Across the country, there are similar disparities. Our system of local financing for schools seems to have failed to deal with this problem, and our children pay the price for this failure in lower achievement, poor attendance and lost potential.

These days, we are asking much of our schools and much of our children in the form of higher standards, goals, and new assessments. Our children are the economic building blocks, and we are demanding that they be strong and prepared for the future. We must make sure that we are a partner in this effort. I believe that means we must deal with the thorny issue of school financing and somehow provide our schools with necessary resources. That is all of us—not just those of us here at the Federal level.

I look forward to these hearings, which I believe will begin that critical process. Our witnesses today include some of those few who have carefully studied this problem, and I look forward to your testimony. Tomorrow, we will continue our work on this important issue at a hearing that I will be chairing. Governor Romer of Colo-

rado will join us, along with expert witnesses, and several individuals who must face inequities every day in their schools.

So, Mr. Chairman, I will close where I began. I thank you for your involvement and concern on this issue, and hopefully, through this process we may be able to start coming up with some real answers to get away from what I would describe as sort of a "civil war" environment, where we pit suburban parents and families against urban and rural. We are never going to solve the problem by having one side or the other "win", if you will. Although, were any side to win, I think we would all be the losers. But if we could get everyone to start thinking about how to deal with this problem without threatening staggeringly higher taxes or threatening anyone's sense of security about where they live and where their kids go to school, then I think we can begin to come up with some answers here. If this hearing process turns into an "us versus them" debate, then we aren't going to be any further along in this discussion or in reaching a resolution than we ever were.

So, speaking just for myself, I am truly interested in having us try to bring a community together here, and not hear about the recriminations and finger-pointing that are so much associated with this effort and that have created so many problems in the past.

So again, I thank our witnesses for being here today, and Mr. Chairman, I really look forward to the testimony and the process over the next number of months.

Senator PELL. Thank you very much indeed, particularly for your nice words, for which I am grateful.

We shall turn now to our panel and start off with Dr. G. Alan Hickrod, Professor at Illinois State University.

STATEMENTS OF G. ALAN HICKROD, PROFESSOR, ILLINOIS STATE UNIVERSITY, SPRINGFIELD, IL; ERIC A. HANUSHEK, PROFESSOR OF ECONOMICS AND PUBLIC POLICY, UNIVERSITY OF ROCHESTER, ROCHESTER, NY; RONALD F. FERGUSON, ASSOCIATE PROFESSOR, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, CAMBRIDGE, MA; AND LANDA TRENTHAM, PROFESSOR, AUBURN UNIVERSITY, AUBURN, AL

Mr. HICKROD. Thank you, Mr. Chairman.

My name is Alan Hickrod, and I am a Distinguished Professor of Educational Administration at Illinois State University. I am also the director for the Center of Educational Finance at ISU and a past president of the American Educational Finance Association, as are several that you will hear this afternoon.

As Senator Dodd has indicated, differences in expenditure levels between school districts have been with us for a very long period of time. The earliest study that I know of goes back to the end of the 19th century in Massachusetts, in 1890, when they were exploring differences in expenditure per pupil. There were also a number of studies conducted in the 1920's, including a very famous one in Illinois that talks about huge differences in expenditure per pupil between school districts, and the date is 1922. So this has been around for quite a period of time.

I think a new development, however, is in the fact that these expenditures per pupil are now growing with the passage of time.

This disparity between school districts year by year by year is becoming a greater and greater and greater factor.

This is not true in all States, but certainly in Illinois and in Massachusetts, in Pennsylvania, New York, Ohio, Missouri, Texas, there is a growing disparity between expenditures per pupil. This seems to be a process that comes about because of great inequality in development within a State. Essentially, when you look at a State that has a great deal of development of commercial and industrial valuations in suburban rings around the metropolitan area, and you have a State that simultaneously has a decline in the rural part of the State, then you set the stage for these larger and larger and larger inequalities. This comes about because we are depending still upon the property tax as a primary source of revenue for schools, and therefore, if the suburban development takes place rapidly, and the assessed valuations climb sky-high in the suburban areas at the same time that the rural assessed valuations are going down, and you depend upon those assessed valuations for your primary source of income, then inevitably, you will have larger and larger and larger and larger disparities with the passage of time. And some of these are truly amazing.

In Barrington, a wealthy school district outside Chicago, the assessed valuation has doubled in 5 years, a 20 percent increase in assessed valuation. In other parts of Illinois, the assessed valuations have simultaneously gone down. So there is a huge discrepancy there.

Can the States do anything about that? Yes, of course. The States could switch from the property tax over to the sales and income tax, and then some of these inequalities would not be as glaring as they are. Why don't they do that? Well, it is a combination of demography and State politics. Over the passage of time, as you well know, more and more citizens of the United States live in suburban areas. And as a consequence, much of the control in the State legislature has slowly gravitated to the suburbs.

And it is very, very difficult—I have tried for over 30 years to talk to suburban senators and suburban representatives about the need for funds elsewhere in their States, but it is asking a lot of a State senator or a State representative to go to his constituency and say, "We have to tax here and then send the funds halfway across the State." It is very difficult to stand for reelection on such a platform as that, and understandably, they have a great deal of difficulty with that particular situation.

So as a consequence, we have not made a lot of progress on doing something within the States on that score. Now, the State legislatures will move when they are urged to do so, to put it mildly, by the courts. And as you know, we have had 12 States which have found their educational systems to be repugnant to their State constitutions. Attached to my remarks is a list of all the known cases in the United States and their legal status. I think you might find that interesting as to where your State stands relative to constitutional challenges. I believe that is the most current one we have, and it is attached to the back of the written testimony.

We know, too, that when plaintiff wins, when the funding system is declared to be unconstitutional, we know what happens. The research indicates that they do shift. Once the judgment has come

down that the system is unconstitutional, then the legislature will respond and will shift away from the property tax or to the sales tax, which they probably should have done before the case came down.

In my remaining 5 minutes—and this is awfully tough on a professor who has been in the classroom for 34 years, but I'll try to do it within 5——

Senator PELL. I'm not sure you have 5 minutes.

Mr. HICKROD. Have I got 1 minute left?

Senator PELL. Yes.

Mr. HICKROD. Fine. There are about five things I think the Federal Government could do. One, as you reauthorize the Elementary and Secondary Education Act, you could pay particular attention to the concentration of poverty. That is a factor on which you can distribute money; it is a factor on which we have experience, both in the States of Illinois and Minnesota, distributing State dollars on the basis of concentration of poverty. That's a variable on which there is a huge difference.

In Illinois, there are many school districts with less than one percent poverty concentration. There are also school districts with 80, 90 and 100 percent poverty—every, single child in the school from a poverty home. In East St. Louis, for example, that Jonathan Kozol writes to brilliantly about, 90 percent of the kids are from poverty homes. In the city of Chicago, every other child—185,000 children—are from homes below the poverty level.

Now, that concentration of poverty is a very, very powerful prediction variable. So I would think as you reauthorize that Act, you might pay particular attention to that.

Second, it is possible that the Federal Government might provide a reward, so to speak, for those school districts that reduce the variation in expenditures per pupil. As far back as the 92nd Congress, legislation was introduced, I think it was by Senators Stevenson and Javits, for a reward for school districts that reduced the variation in expenditures per pupil. I think you might want to look at that again. I notice that Dr. Cortez, whom you will hear on the next panel, also thinks that this is a useful possibility.

Third, the Federal Government might help here in terms of consolidation and reorganization. Part of this problem—and it is only a part of it—is the fact that we still have very, very small school systems in many of the States. I would think that if the Federal Government could help in building new regional high schools, this might be one way of reducing part of this variation. I notice that in Indiana, they have found a very useful solution to this in that they have allowed the local community, the small village and hamlet, to retain its elementary school while they provided a regional high school with larger opportunities for many of those small towns. That Indiana system seems to work, and there might be something there that the Federal Government could look at to do that.

My 4th and 5th recommendations, I'll make very quickly. The 4th one is simply that this is a very complicated matter, and we have not had a Presidential commission on school finance since the Nixon administration. Many good things came out of that Presidential commission, including that concentration of poverty notion;

that was an idea put forward by President Nixon's commission. So I think it might be time to try another Presidential commission.

And finally, just to prove that I am from an ivory tower, I would suggest that it might be time to look at an educational amendment to the United States Constitution. And before you think that that's totally off-the-wall, I would remind you that we almost succeeded with that just a few months ago in Illinois, when I had the privilege of trying to help change the Illinois Constitution. We were attempting to write a fundamental right to an adequate education into the Illinois Constitution, and we got 57 percent of the vote; we were 3 percent short. The constitutional revision in Illinois requires 60 percent, and we unfortunately did not get the final 3 percent. But 57 percent is a very good showing.

Thank you.

[The prepared statement of Mr. Hickrod follows:]

PREPARED STATEMENT OF G. ALAN HICKROD

My name is G. Alan Karnes Wallis Hickrod, and I have the honor of being the Distinguished Professor of Educational Administration and Foundations at Illinois State University. I am also director of the Center for the Study of Educational Finance at ISU. I am a past president of the American Education Finance Association.

The subcommittee meets this afternoon to review a public policy problem that has been widely known for quite some time. The first study of disparities in goods and services provided between school districts, that I know of, was done in Massachusetts not long after the Civil War. In the early 1920's many studies of differences between expenditure levels of school levels appeared, the earliest in Illinois being in 1922. It is no surprise that there are very large differences in expenditures levels between school districts within a state, often extending to a two-to-one ratio, that is, the more affluent districts spend twice as much as the less affluent districts. These ratios of nearly two-to-one are present even after some rather deviant high spending and low spending districts are eliminated from the population of districts in a state. While educational professionals have known about these differences for a long time, I think that the public in general was not aware of them until the recent best selling book, Savage Inequalities, by Jonathan Kozol made them cognizant of the differences.

A new factor, an ominous factor, in this situation is the fact that in many states these disparities in spending levels are growing rapidly with the passage of time. Our studies in Illinois indicate that for the last fifteen years there has been a constant and relentless growth in inequalities among school districts in spending levels. Very wide disparities have also been noted in Massachusetts, Pennsylvania, New York, Ohio, Missouri, and Texas. A common development can be discertained in these seven states. In these states, there is often a ring or rings of commercial, industrial and residential development around the major central cities. This laudable economic development results in booms in property valuations. For example, outside Chicago, in Barrington, Illinois, property valuations have doubled in a short, five-year span of time. Sometimes, this is caused by the location of high tech industries in these suburban belts and sometimes by residential property speculation, but the result is the same. The property valuations rise very rapidly. Elsewhere in these state, particular in rural areas, there are school districts whose property valuations are either not increasing nearly as fast, or they are in absolute decline. In the midwest the plight of small towns is especially bad as they continue to lose businesses, banking facilities, medical facilities, and many other essential services. This unequal regional and largely intrastate economic development causes many problems, not the least of which are in school finance.

In the United States, we continue to rely upon the local property tax to support K–12 educational services. Consequently, as these property valuations become more unequal, the level of support for education will also become more unequal. A solution to the problem immediately suggests itself, which is so obvious that it would not require a Senate hearing. Why not move the support of education away from the local property tax and over to a state-wide tax, either the state sales tax or the state income tax, or some combination of state revenues, if the state has such taxes? Some states have done exactly this. In fact, there is a very large range in state support for K–12 education. For example, New Hampshire provides only roughly seven

percent of its K–12 educational funds from state sources, while Alabama provides nearly 70 percent of its funds for K–12 education from state sources. Many states seem to be moving toward a situation in which 60 percent of the K–12 funds will come from state sources and 40 percent will come from local sources, excluding federal funds. However, many other states seem unable to move at all in this regard. The explanation of that "gridlock"—or, as some observers have said, "greedlock"—lies in a combination of demography and state politics.

Within the last couple of decades, more and more of the American population has moved to the suburbs of central cities. Over time—sometimes very slowly—political power has followed the population. The result has been that, in modern state legislatures, the state senators and representatives from suburban areas have assumed more control over events in these legislative bodies. This seems especially obvious in state senates. So, for the last couple of decades, I have had to look state senators and state representatives from the more affluent suburbs squarely in the eye and tell them that the educational equity problems in their state require them to take tax funds from their constituency and send those funds across the state to other constituencies which are not so prosperous. It is a very disconcerting experience. They look at you as if you are certainly one who has recently flown over the coo-coos nest, or maybe dropped in from the planet Mongo with Flash Gordon. (The last reference will surely date me, if my appearance does not.) They cannot stand for re-election to their state legislatures on any such platform; and, the fact that a few are willing to do so, probably is more eloquent testimony to the worth of public education in a democracy than any I could give here today. The fact is the suburbs, while they have some educational problems, are largely contented with their adequately financed educational systems. The problems lie in the central cities and in the more rural areas of the state. The suburban members of the legislature do not want to assist in what they regard as "someone else's" problems.

Is there anyway out of "gridlock" or "greedlock," if you prefer. Yes, occasionally a strong Governor will propose a reform program and carry it through his legislative body. Unfortunately, one may have to wait a long time for that to happen. In my judgment, the last Governor in Illinois who could honestly be called an "education Governor" was Richard Ogilvie, a Republican, and that was a great many years ago. The state legislatures will also respond to pressure from their state supreme courts. In twelve states in the union, systems of funding which depend strongly on the local property tax have been found to be unconstitutional, and the states have responded by moving away from the local property tax as a means of supporting education. My Center at ISU tracks these constitutional cases with some support from the American Education Finance Association; a full listing of the status of these cases is attached to this testimony.

Litigation is a very slow and laborious process. It is not at all unusual for these constitutional cases to last for ten or fifteen years, occasionally even longer. However, long-term gains can be made in these cases. In ten states, the right to an adequate education has been declared to be a fundamental right under the state's constitution. Much depends upon the interpretation of the education article in the state constitution. Unlike the federal constitution, every state except one has an education article in its constitution. Much of the recent activity in the state courts centers on spelling out just exactly what those education articles require the state government to do relative to educational funding. It may be possible to strengthen the existing education article in a state's constitution by replacing the old article with an article which contains stronger language which establishes education as a fundamental right. That was attempted in Illinois and failed only by 3% of the vote. Illinois requires 60% to amend its constitution and the attempt to amend received 57%, which, by the way, was a larger vote than that received by either President Clinton or Senator Carol Moseley Braun in that state, but it was not enough to amend the constitution and make education a fundamental right.

It is also true that states can make some progress on this problem by school district reorganization and consolidation. Inequalities between school districts are often much worse in states that have so-called "dual districts," that is, separate administrative structures for high schools and elementary schools, as well as K–12 units. However, reorganization and consolidation is vigorously opposed in many rural communities because the school may be the last vestige of organizational life left in that community. If rural decline has taken away the bank, the businesses, and the local doctor, then the church and the school may be all that is left to give cohesiveness to the little hamlet or village. It should be noted in this regard that southern states have an advantage on this inequality problem in two respects. First, the unit of educational governance in the southern states is the county, not the special district, as in the north. Second, on the whole, the southern states finance their K–12 education

more from the state level than they do the local level. For these two reasons disparities are less in the South than in the north and mid-west.

I will conclude this testimony by suggesting five ways in which I think the federal government can help in this problem of inequalities in goods and services between school districts. First, as [illegible] move toward reauthorization of the Elementary and Secondary Education Act [illegible]uld urge you to strengthen the provisions of that act that distribute federal funds on the basis of the concentration of poverty children in the school districts. The States of Illinois and Minnesota have had many years' experience with this particular variable. In general, it does assure that the funds go to the school district with the most problems. Extensive research at Illinois State University and elsewhere shows that, where a majority of the students come from poverty homes, test scores from those districts decline precipitously. The range on this variable is vast. In Illinois, we go from school districts that have less than one percent of school children from poverty homes to districts that have almost 100% of the school children from poverty homes. In East St. Louis, about which Jonathan Kozol writes so vividly, nearly 90% of the children are from poverty homes. In one of the largest school districts in the United States, Chicago, a majority of pupils come from poverty homes. Clearly, some progress can be made here by making much of the distribution of federal funds depend upon this variable. Since it is true that even some affluent suburban districts have a least some children from poverty homes, the act should also provide that the needs of poor students in rich districts also be met. But, it must be emphasized that it is in the districts where 70%, or 80%, or 90% of the children are from poverty-level homes where the situation is truly desperate.

Second, I believe the time has come to look again at legislation introduced into this body over twenty years ago, in the 92nd Congress, by Senators Stevenson, Mondale, and Javits, with a companion bill which I think was introduced into the House by Representative Carl Perkins. There may also have been a bill introduced about that time by Representative Obey of Wisconsin. These bills offered a federal supplement for states that would reduce the disparity in goods and services between school districts. A problem will emerge here, however, on whether the reward is offered "ex post facto" or "ex ante." If it is offered after the fact, California will receive the federal reward since they have made progress in reducing disparity. However, it may be a very long time for Illinois to receive any reward because we have been going in the other direction, more inequalities, for nearly 15 years. On the other hand, if enough reward is provided, perhaps one might be able to turn around even Illinois. I do not think a penalty by the federal government would work. If one penalizes Illinois for going in the wrong direction by withdrawing federal funds, a severe penalty would be placed upon East St. Louis; surely, that is the last thing anyone would want to do.

Third, there is one place in which a federal penalty might work. I hesitate to suggest it, but I think I must. There are many school districts in this nation with less than 100 pupils in the district. Many years ago, after an extensive study of high schools, James Bryce Conant, then the president of my alma mater, Harvard, said that high schools of less than 100 students could not provide for the educational needs of students, particularly in the sciences. Present day research seems to agree with President Conant's opinion. To be sure, there are probably "necessarily existent" small schools in mountainous areas or in the vast reaches of west Texas. Those could be exempted. But I see little reason to send federal funds into districts which are far too small to be economically efficient. Consolidation and reorganization can also be greatly encouraged by a federal program that would help build new, regional high schools. In Indiana, a very useful compromise was reached by having the small towns retain the elementary schools and a new high school was established for several small towns. This reward approach is probably better than a penalty approach.

The Congress could and should strengthen the hand of those who are attempting to collect accurate data on this public policy problem. It is not easy to collect data on over 13,000 school districts in this country. Few modern nations have this kind of data collection problem. Later this week, I will address this problem at a meeting of the National Center for Educational Statistics in Washington. I would commend highly to this body the efforts of William Fowler of the NCES, Larry MacDonald of the Bureau of the Census, and Wayne Riddle of the Congressional Reference Service. They have done remarkably well with very, very little resources. Moreover, we cannot make good policy with bad data and something more will have to be done here. I have tried to enlist the assistance of the Office of Educational Research and Improvement on this matter, but, so far, have not met with much success. Perhaps this is due to the change in administrations.

Fourth, perhaps the time has arrived to create another Presidential Commission on School Finance. We had such a commission during the Nixon administration;

and, while the major recommendations of that commission were not accepted, many valuable ideas did emerge from the commission. For example, the notion of distributing funds on the basis of the concentration of poverty had its genesis in that commission. That idea was not adopted at that time by the federal government, but it was adopted by the state governments in Illinois and Minnesota. There are younger, perhaps more able students of school finance about in the land. We should give them a forum to bring forth new ideas in this area.

Finally, if only to demonstrate that I really am from an "ivory tower," I would argue that the time may have arrived in which we should consider adding an education amendment to the national constitution. Remember, I am not totally in that tower and have just come from a battle to try to do that at the state level. I know many of us in this room would probably not live to see such an amendment ratified by the necessary states. However, I think that ultimately this whole matter turns on the right of a child to an adequate education. Count me among those who believe that this right should be enshrined in the American constitution. In a recent publication entitled Invictus, I have argued—for probably the millionth time in my long career—that, without a guarantee of an adequate education for every child, this Republic will not long stand. In that publication, I outlined good political, economic, and social reasons for believing that, "no strong public school, then no strong representative system of government." If the disparity problem is not addressed by either the state or the national governments, we will drift slowly toward a society in which the affluent school districts have good schools and the poor school districts have terrible schools. Eventually, that drift will take us to a beach in which government by a well-educated elite is possible and the poorly-educated will have little participation in the governing process. I was a Marine. I have landed on many beaches before. I do not want to hit that beach.

STATUS OF SCHOOL FINANCE CONSTITUTIONAL LITIGATION

Compiled by John A. Diviny and G. Alan Hickrod—July 1993

I. Plaintiffs won at state supreme court level: (9)

Wyoming—Washakie v. Hershler, 1980
Arkansas—Dupree v. Alma School District, 1983
Montana—Helena School District v. Montana, 1989
Kentucky—Rose v. The Council, 1989
Texas—Edgewood v. Kirby, 1989
Tennessee—Tennessee Small School Systems v. McWherter, 1993
Massachusetts—McDuffie v. Weld, 1993
Washington—Seattle v. Washington, 1978
Connecticut—Horton v. Meskill, 1977

II. Plaintiffs won at the state supreme court level, but further compliance litigation was also filed: (3)

California—Serrano v. Priest, 1971, 1977; Rodriguez v. Los Angeles
West Virginia—Pauley v. Kelly, 1979; 1988
New Jersey—Robinson v. Cahill, 1973; Abbott v. Burke, 1985; Abbott v. Burke, 1990

III. Plaintiffs lost at supreme court level and there have been no further complaints filed or further complaint lost also: (9)

Maine—Sawyer v. Gilmore, 1912
Michigan—Milliken v. Green, 1973
Georgia—McDaniels v. Thomas, 1981
Colorado—Lujan v. State Board of Education, 1982
Maryland—Hornbeck v. Somerset County, 1983
North Carolina—Britt v. State Board, 1987
South Carolina—Richland v. Campbell, 1988
Wisconsin—Kukor v. Grover, 1989
Oregon—Olsen v. Oregon, 1979; Coalition for Ed. Equity v. Oregon, 1991

IV. Plaintiffs lost at supreme court level, but there have been further complaints filed: (7)

Arizona—Shofstall v. Hollins, 1973; Roosevelt Elem. School Dist. 66 v. Bishop, 1991
Oklahoma—Fair School v. State, 1987
Pennsylvania—Dansen v. Casey, 1979; 1987; Pennsylvania Association of Rural and Small Schools v. Casey, 1991
Ohio—Board of Education v. Walter, 1979; Howard v. Walter, 1991; Thompson v. State of Ohio, 1991; DeRolph v. State, 1992

New York—Board of Education v. Nyquist, 1982; 1987; Reform Educational Financing Inequities (R.E.F.I.T.) v. Cuomo, 1991
Idaho—Thompson v. Engelking, 1975; Frazier et al. v. Idaho, 1990
Louisiana—School Board v. Louisiana, 1987; 1988; Charlet v. Legislature of State of Louisiana, 1992

V. Litigation is present, but no supreme court decision has been rendered: (13)

Illinois[1]—The Committee v. Edgar, 1990
North Dakota[2]—Bismarck Public Schools v. North Dakota, 1989
Indiana—Lake Central v. Indiana, 1987 (8/4/92 Case withdrawn)
Missouri[2]—The Committee v. Missouri and Lee's Summit P.S.U. v. Missouri, 1990
Alabama[2]—Alabama Coalition for Equity v. Hunt, 1990; Harper v. Hunt, 1991
Alaska[1]—Matanuska-Susitna Borough v. Alaska, 1989
Minnesota[2]—Skeen v. Minnesota, 1988
South Dakota—Bezdichek v. South Dakota, 1991
New Hampshire[1]—Claremont, New Hampshire v. Gregg, 1991
Virginia—Alleghaney Hiahlands v. Virginia, 1991 (Case withdrawn 8/92); Scott v. Virginia, 1992
Nebraska[1]—Gould v. Orr, 1990
Rhode Island—City of Pawtucket v. Sundlun, 1992
Kansas—(Consolidated): Unified School District 229, et al. v. Kansas, 1991; Unified School District 244, Coffey County, et al. v. State Unified School District 217, Rolla, et al. v. State

[1] Circuit Court decision in favor of the defendants.
[2] Circuit Court decision in favor of the plaintiffs.

VI. No litigation is present or case is dormant: (9)

Delaware, Mississippi, Hawaii, Nevada, Iowa, New Mexico
Florida—Christiensen v. Graham
Utah, Vermont

Category A: States in which the State Supreme Court has declared that education is a fundamental constitutional right (10)

Arizona—Shofstall v. Hollins, 1973
Wisconsin—Busse v. Smith, 1976
California—Serrano v. Priest, 1977
Connecticut—Horton v. Meskill, 1977
Wyoming—Washakie v. Hershler, 1980
West Virginia—Pauley v. Bailey, 1984
Montana—Helena v. State, 1989
Kentucky—Rose v. the Council, 1989
Tennessee[1]—Tennessee Small School Systems v. McWherter, 1993
Washington—Seattle v. Washington, 1978

Category B: States in which the State Supreme Court has declared that education is NOT a fundamental constitutional right (10)

New Jersey—Robinson v. Cahill, 1973
Michigan—Milliken v. Green, 1973
Idaho—Thompson v. Engelking, 1975
Oregon—Olsen v. State, 1976
Pennsylvania—Dansen v. Casey, 1979
Ohio—Board v. Walter, 1979
New York—Levittown v. Nyquist, 1982
Colorado—Lujan v. Colorado, 1982
Georgia—McDaniel v. Thomas, 1982
Arkansas[1]—Dupree v. Alma, 1983

[1] States in which the funding system failed to pass the "rational basis" test of the equal protection clause.

Catagory C. Lower court decision on education as a fundamental right

1. States in which a circuit or appellate court has declared that education IS a fundamental right (4)

Alabama—Alabama Coalition for Equity v. Hunt, 1993;
Missouri—Committee v. Missouri, 1993
Minnesota—Skeen v. Minnesota, 1992
North Dakota—Bismarck Public Schools v. North Dakota, 1993

2. States in which a circuit or appellate court has declared that education is NOT a fundamental right (2)
Illinois—Committee v. Edgar, 1992
New Hampshire—Claremont, New Hampshire v. Gregg, 1991

Senator PELL. Thank you very much, indeed.

I would add that the full statements of all the witnesses will appear in the record as if read.

I will turn now to Dr. Hanushek.

Mr. HANUSHEK. Thank you, Mr. Chairman.

I am pleased to have this opportunity to testify in front of your committee. The current debates are likely to have a major impact on what happens to schools in the future, and I think there are real opportunities there, and I think there are also perils there that have to be avoided.

I want to make three basic points in my discussion today. The first is that there are truly serious problems in American education today and that the resolution of these will have profound effects on the well-being of society in the future.

The second is that many of the current school financing proposals focus, in my opinion, on the wrong things and could end up harming rather than helping the schools.

And third, to achieve significant changes in our schools, I think we have to be concerned about working on incentives for higher performance, and many of the proposals we have talked about in the school finance area could actually impede improved incentives in the schools.

I don't think I have to discuss at all the concerns about education in terms of income and productivity and other social goods like lessening crime or improving the functioning of democracy. But the real serious problems as I see them are not in those matters which are really matters of how much or the quantity of education that people get; but the real serious issues relate to quality of education, and there, I think there are three things that are important.

First, by all measures that we have of the performance of schools, output has been constant or falling over the last 20 years in the schools. This comes from test scores, from performance in the labor market, from the reactions of businessmen, whatever.

Second, there is no doubt that we have serious distributional problems in that large portions of our population that are lower-income, that are minority, are being left behind in quality terms and that we cannot allow that to persist from a society's standpoint.

And third, the point that I think is often overlooked is that we also have a cost problem in education. Over the entire course of the 20th century, educational expenditures per pupil in real terms, after we eliminate inflation, have increased at over 3 percent per year for the entire century. Now, it turns out that if you look at the last 20 years, you can make an argument that real expenditures per pupil on education have gone up more rapidly than expenditures on health, and it is health that we are all concerned about the expense side of.

So let me put these two things together. In the testimony that I have handed out, after page 3, there is one little figure that summarizes what I think is the problem and how it relates to school

finance. There are two lines on this graph; one, the steep one going up to the right, is real expenditures per pupil that have over doubled in the last 25 years. The other line, that starts in the top left-hand corner and falls to the right, is scores on the SAT scores or performance of students. As far as I can see, that's the major problem.

Now let me relate this quickly to school finance and those issues. The school finance discussions all relate back to the Serrano v. Priest case in California in the late sixties, the most recent discussion. It has gone through all of the courts. The general assumption in school finance has been, first, that the traditional school funding, relying heavily on locally raised funds, substantially through the property tax, leads to large disparities in school funding for the rich—read "suburban"—and has left behind and left out the poor—read "rural and urban."

Second, the courts and legislatures should be forced to provide better education for disadvantaged students and provide better students. Unfortunately, I thin that logic is flawed, not in its goals, but in its actual application of what it means to the country. Spending is often implicitly equated to school quality and performance, but the difficulty is by the picture I showed you, that spending is not directly related to performance. In fact, there has been an enormous amount of scientific research that suggests that there is no relationship between resources in schools and the performance of the students.

There are some studies that find positive relationships, some that find negative relationships. The story is that there is no consistent relationship between spending and performance.

What happens is that the school finance reform is often taken as improving our schools through providing more funds, but that does not ensure that the quality of the schools improves. In fact, I am going to argue that it might stop efforts to improve quality. The most recent version of this is adequacy in education, which is also linked to some of the questions about input standards related to performance in schools.

The adequacy question, at the one level that Senator Dodd mentioned, or leaky schools, or unsafe and unsanitary schools, there is no doubt that we should eliminate that without question. But the vast majority of schools are not distinguished by leaky ceilings or unsanitary conditions, and we have to do something about those.

In my opinion, the answer is to change incentives to get rewards directly related to performance in the schools, and the school finance discussions we have had and the school finance reform does just the opposite: It distributes money not according to performance, but to try to equate it independent of performance.

Let me conclude by saying quickly what I think some roles are for the Federal Government in all of this. Since the San Antonio decision, the Rodriguez decision in 1973, the Federal Government has not been directly involved in this. Nevertheless it can have an important role. The obvious, clearest role for the Federal Government is something that affects the whole population, and that has to do with learning about how to provide effective schools and disseminating those results.

Now, if in fact we are going to do this through performance incentives, we have very little experience to guide us on that. We have very few examples of well-running performance systems. So one aspect that the Federal Government might take on is trying to develop ways to encourage and foster experimentation with output incentives and then to evaluate and provide information on those.

Now, part of this links naturally to the recent discussions about measuring performance and standards in the schools. It is clear that to tell what you are doing, you have to be able to measure it, and that the Federal Government should be heavily involved in assessing performance and outcomes in schools. This is not to say that the Federal Government should get out of the business of helping the disadvantaged and special populations. I think that's an important role that the Federal Government is best-suited to take on.

On the other hand, I think it would be very unwise for the Federal Government to become embroiled in the funding of local education. There are significant advantages to local decisionmaking, and without a huge commitment of resources, which seems unlikely in this day of Federal budgeting, the Federal Government could only intervene through what I think are a set of clumsy incentives for increased regulations. I think neither of these approaches is appropriate.

Let me just say why I introduce this by saying there is peril on the horizon. I think at the current time, we don't have much room for further mistakes. The American population has enormous sentiment toward improving the schools, but it is also growing very wary of pure spending plans and plans that don't demonstrate performance. The public is looking for evidence of performance, and I think the next major reform of schools has to deliver, or schools will not get American public support for very much longer.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hanushek follows:]

PREPARED STATEMENT OF ERIC A. HANUSHEK

I am very pleased to have this opportunity to testify on issues of school finance. The current debates about educational reform in general and school finance reform more specifically could have an enormous impact on the future of our schools. I firmly believe that this is a time both of real opportunity and of significant peril.

I have three basic messages that I wish to convey.

- First, there truly are serious problems with U.S. education, and the resolution of these will have profound effects on the future well-being of all of society.

- Second, many of the current school financing proposals focus on the wrong things and could end up harming rather than helping the schools.

- Third, the chances for improving the performance of the schools are closely linked to changes in the incentive structure, and these changes are at odds with much of the recent financing discussion.

The Need for Reform

The motivation for attention to schools is found in one form or another almost daily in the popular press. Much of the recent discussion highlights the importance of education as a determinant of an individual's productivity and income. More educated people tend to work in skilled occupations and to receive higher salaries and benefits than those with less education. What is more, the economic importance of education has mushroomed in the past decade and a half. While it is usually phrased in terms of having a college degree or not, it is clear that additional years of schooling have high pay-offs at all levels of schooling—high school, college, and postgraduate. Estimates place the rate of return to investment in college education at over 30 percent in the 1980s; similarly, the rate of return for an additional year of high school falls between 15 and 20 percent. Thus, those individuals who receive more education can expect increased rewards throughout their adult

lives. The importance of such school related skills has been recognized for some time. Indeed, more than a quarter of a century ago, it moved education and training to a prominent position in the War on Poverty.

There are also other, more general motivations for improving the schooling of society. Throughout the 20th century, education has been identified as serving an important socializing role—improving the functioning of democracy, lowering crime rates, and the like. In a different vein, recent economic analyses of why some nations grow while other do not have focused on the pivotal role of the education, or human capital, of the society. In simplest terms, an individual's schooling may directly affect the well-being of others in society by contributing to increased economic development and growth.

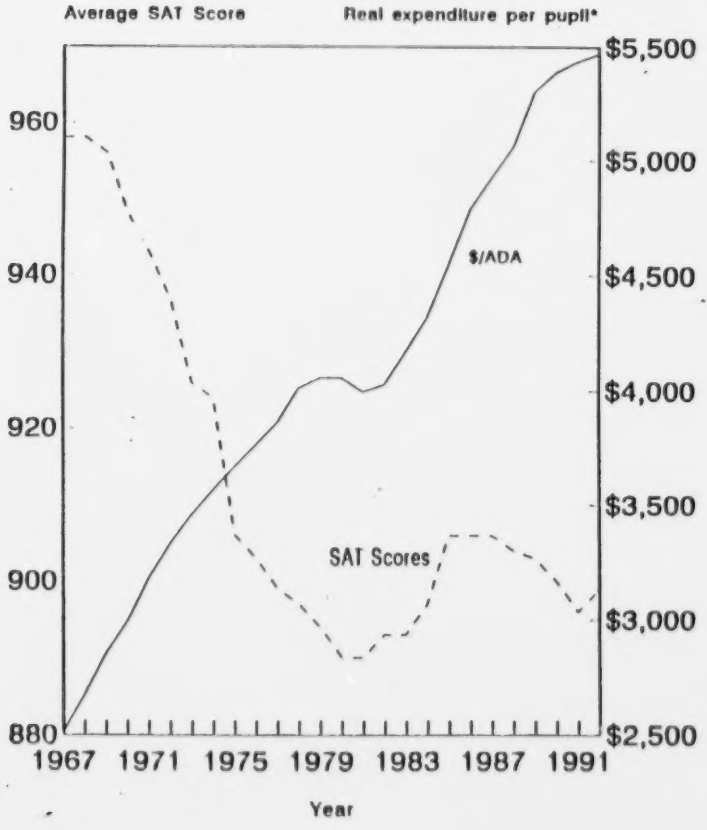
These general motivations, which tend to concentrate simply on the amount of schooling of the population, do not, however, pinpoint the nature of the existing problem. The problem relates directly to the quality of schooling and has three elements. First, by all outcome measures, the performance of schools has been flat or declining for some two decades. This conclusion comes from scores on standardized tests, from college statistics and opinions about the trends in the quality of students enrolling, from the beliefs of businesses who hire new entrants into the labor force, and from investigations of labor market earnings and employment.

Second, enormous disparities in school outcomes exist by family income and by racial or minority background. These disparities perpetuate an obvious set of social ills, ills that will come back to haunt us in the future. Debate exists about whether or not disparities, which are often simply identified as the problem of inner city schools, are worsening over time, but in any event the disparities are a serious and very difficult problem.

Finally, a less obvious aspect of the current problem is the ever increasing cost of schooling in the United States. Over the entire twentieth century, real spending per pupil—that is, spending levels adjusted for general inflation—has grown at more than a 3% per year compound rate. In fact, over the past two decades, the rate of increase in real school spending rivals that for health, even though it is the pace of health care expenditure that has now captured everybody's attention.

Figure 1 provides a visual summary of the education crisis. School performance, as measured by SAT scores, plummets while real school spending incessantly marches up over the past quarter century. While some people quibble about whether SAT scores are the best measure of school performance (they are not) or about whether other factors like special education affect costs (*they do*), *the main message stands up when other measures are used.*

Figure 1
Real School Expenditure and Achievement
1967-1991



*Current expenditure in 19 . dollars per student in average daily attendance (ADA)

School Finance Reform

The modern era of school finance reform was launched with the landmark *Serrano v. Priest* case in California in the late 1960s. A majority of the states have now had court challenges to their funding, including at least eight states represented by members of this committee. In many ways the *Serrano* suit fit in with the War on Poverty. The general foundation of that suit and many similar ones that have followed appears simple:

1. Traditional school funding, relying heavily on local funds raised substantially by the property tax, leads to large disparities in the schooling available to rich (suburban) students and poor (urban or rural) students; and,

2. The courts and legislatures must be forced to address these inequities and to provide disadvantaged students with better schools

This line of argument, while repeated frequently in many subsequent law suits and within state legislatures, is now understood to be flawed. The flaw is not in the laudable goals behind past and current school finance policy discussions. The debate recognizes problems with both the overall trend in school performance and the inequities that currently exist—and these problems become the motivation for the subsequent calls to action.

The flaw in the traditional school finance debate is that the entire discussion centers on funding and school spending. Spending is (often implicitly) equated to school quality or performance. The difficulty is that, despite the continual increases in the level of spending and declines in the variation of spending across districts that we have observed, the performance problems continue. It also ignores the substantial scientific evidence that shows little relationship between performance and resources employed in schools.

Figure 1 introduced the subject of the relationship between spending and student performance. Continual infusion of funds has not produces higher aggregate achievement. And, while objections about employing such aggregate data exist, the story is confirmed by very detailed scientific study of schools and classrooms.

There is no consistent relationship between the resources applied to schools and student performance. This conclusion comes from an analysis of over 25 years of study into the determinants of student performance.[1] The evidence is very clear that the major determinants of instructional expenditure—class size, education of the teachers, and experience of the teachers—are not systematically related to student achievement.

Between 1970 and 1988, real expenditures per pupil on schools rose by almost 3.5 percent per year. Three things led to this increase. First, noninstructional expenditure rose dramatically. This includes administration at the school building along with retirement and health benefits for educational personnel. Second, pupil-teacher ratios fell by a quarter. Third, real teacher salaries rose by 15 percent.[2]

But none of these things are systematically related to student performance. In other words, the spending that schools undertake when they have additional funds generally does not go toward things that enhance student outcomes.

This finding, while difficult to accept at first, is becoming more accepted as people begin asking the tough questions about schools. In general, discussions about programs and policies have tended to concentrate on a series of small, somewhat marginal, programs—programs whose impact on expenditure growth is very limited. On the other hand, a few major factors drive the overall expenditure growth, and these are the important things to consider. Unfortunately, the factors that are important for overall expenditure growth are not directly related to student outcomes.

Disparities in school funding, the subject of traditional school finance reform, are simply not a good measure of differences in school quality. There are good schools that spend a lot and good schools that spend relatively little. There are bad schools that spend relatively little and bad schools that spend a lot. Looking at spending does not give much indication of the quality of any given school. And, there is little reason to expect the pattern of spending and its effectiveness to improve dramatically in the future.

Adequacy of Funding

The newest variant of school finance discussion is "adequacy." A number of the most recent court cases have addressed the question of whether or not funding for districts is adequate, in addition to being equal across districts. This approach has gained popularity because of its success in some of the most recent court cases.

This approach has also filtered into other, related discussions. The most recent use has been to link questions of funding adequacy to performance standards for schools. Can one really expect a school that cannot provide basic instructional resources to meet high standards of student achievement?

At some level, notions of adequacy are straightforward and need little discussion. If a school district cannot provide safe and sanitary conditions, if it cannot provide adequate textbooks, and if it cannot provide qualified teachers for basic subjects, everybody would agree that the funding is inadequate. Indeed, court cases and popular discussions of funding adequacy typically begin by scouring a state for school buildings that do not meet minimal construction and maintenance standards and using these to make the case for increased funding. Yet the vast majority of all schools, even schools in low spending states, meet the minimal standards that we can all agree upon. It is the very broad midrange of schools where the majority of spending goes and where there are no obvious defects that are important.

The adequacy approach in my opinion founders on the same issues as the more traditional disparity discussions. Within the current organization of schools, spending is not closely related to performance. Therefore, it is impossible to define what "adequate" resources might mean. Advocates of an adequacy standard frequently begin with a laundry list of school resources and set about pricing them by some rough notion of market prices. The problem is simply that we do not currently know how much a top teacher costs as compared to, say, an average teacher. Therefore, we cannot reliably develop prices for quality teachers even if we knew the basic organization that would be effective.

In simples[illegible]rms, the real crisis in education revolves around producing bette: student performance. We have ample evidence that this involves much more than just adding more resources to schools. We have tried that, and it has not worked. Indeed, we have tried that with a vengeance in urban schools which in many states are near the top of the distribution of spending, and few believe that it has worked there.[3]

The Problems with School Finance Reform

Research into school performance has demonstrated clearly that there are enormous differences among teachers and schools. Some teachers elicit significantly greater performance gains from their students than do others, and some schools as a whole appear to outperform others. It is just that the good teachers are not systematically the ones with the most education, with the most experience, or with the highest pay. Neither are they the ones teaching the smallest classes. Good teachers are found in unusual places, as Jon[illegible]han Kozol has documented in his research into disparities.

The policy question is how to expand on the number of good teachers and good schools while cutting down on the number of poor teachers and poor schools. We in the United States have pursued two interrelated approaches in the past. We have provided more funds for local school districts in the hope that they will spend them productively, and we have tried to define centrally (generally from the state capital) what is good educational practice. Unfortunately, there is little evidence that this has moved us toward better school performance, even though there is substantial evidence that it has made education much more costly.

Much of the current move toward school reform is simply an extension of the experiment that we have been running nationally for a long period of time. The idea is that we can improve the education in low spending districts by providing them with more funds. Along with this is the general notion that school finance reform will lift the entire level of spending. Indeed this latter notion is quite explicit in adequacy discussions and in some

versions of the more recent discussions of opportunity-to-learn standards.

One explanation for the apparent ineffectiveness of policies based simply on increased resources is the lack of incentives to improve student performance. The current structure of schools does not directly reward teachers or schools that perform well anymore that it punishes those that do not. And, while many teachers and schools are self-motivated to do a good job and in fact do do a good job, the system is not geared toward promoting that more generally. Coupled with the lack of incentives to perform well are a series of incentives that point in other direction. Issues of job security, of lightened workload, and of social norms create incentives for school personnel which may conflict with goals of improved student performance.

Without more direct performance incentives than currently exist, it is difficult to imagine that schools will improve very much. We simply do not now know how to specify exactly what a teacher should do or how we can provide appropriate leadership in the schools. Such lack of knowledge rules out central direction in how to spend money. On the other hand, if we directly reward those who are doing what we want, the chances for improvement increase significantly.

We do not have much experience with developing performance incentives. There are many alternatives that have been suggested, including merit pay for teachers, merit schools, magnet schools, school choice, and educational vouchers. There is little available evidence on how to design such programs or what their ultimate effects might be, although there are strongly held ideological positions on each of these possible policies.

We can, however, tie the discussion back to possible school finance reform. Efforts to raise and to equalize spending across districts (or even across states) do not relate to the performance of the schools. Since additional funding to any given district may or may not be used effectively (at least if we can go by past behavior), an altered funding scheme will probably just increase the amount of inefficiency in the system. It is unlikely to lead to improved performance either in the aggregate or for specific students, say the disadvantaged.

Is it fairer? Some argue that "low spending districts should have the same chance to waste money as high spending districts." This does not appear to me to be a principle that we should subscribe to when the problem of school performance is serious and when

pressures continue to mount for the efficient use of public monies. Moreover, all of the existing evidence suggests that this is simply an ineffective and unproductive way to improve the economic status of the disadvantaged.

A Federal Role

School finance discussions have been conducted chiefly at the state level. This follows from the historical primacy of states and localities in schooling decisions, and, as a legal matter, from the 1973 Supreme Court decision in *San Antonio Independent School District v. Rodriguez*. Nonetheless, the Federal government can be an important actor in school finance and in overall educational reform.

A logical role for the Federal government would be concentration on matters that affect all of the population. At the top would come aggressive evaluation and dissemination of information about performance and what seems to work. This has several parts. As argued above, the real hope for improvement appears to lie with changes in incentives and the development of organizations which establish appropriate incendves. A useful role for the Federal government would be to consider experiments and mechanisms that will promote new structures. The incentives must be related to student performance, implying that another significant role is the development of new and improved measures of student performance. This activity would be quite consistent with much of the current effort to develop standards and goals for schools.

The Federal government has quite appropriately assumed a role in supporting the education of disadvantaged groups. While some aspects of this might be improved, the overall thrust is clearly sensible. Distributional issues and attention to disadvantaged populations are best dealt with at the Federal level.

On the other hand, it appears very unwise for the Federal government to become embroiled in the funding of local education. Significant advantages result from having local decision making and from trying to get local schools weigh alternative approaches and programs for the improvement of educational performance. Without a huge commitment of Federal resources, which seems very unlikely given the current fiscal picture, the Federal government could only intervene through clumsy incentives or increased regulations. Neither of these approaches seem appropriate.

Conclusions

The position I have outlined is simple. I believe that it is extremely important to improve the quality of the Nation's schools. I also believe that inequities in the provision of education are a real embarrassment to us. This is, I believe, the position of a majority of the American people. The only issue is how to deal with the problems.

Extensive scientific evidence indicates quite clearly that there is little if any relationship between the resources devoted to schools and their performance—at least as schools are currently organized. This fact raises serious question about the efficacy of traditional school finance proposals for improving public education. Moreover, it underscores the impossibility of developing adequacy standards that cover anything but the most obvious deficiencies of schools.

More recently, school finance reformers typically indicate that of course they are not talking about the current structure of schools. Finance changes must be linked to organizational changes or must require concomitant introduction of programs 'known to work.' The problem remains, nonetheless, that most school finance reform still is based largely on an input, or resource-based, model of educational policy: the key element is providing sufficient resources. This approach generally sets up entirely the wrong incentives.

The peril I see at the current time is that we cannot afford to make further mistakes. There is enormous public sentiment for improvement of the schools, but the public is also growing wary of pure spending plans. The public is looking for evidence of performance. If even more is spent on schools and performance does not follow rather quickly, a powerful backlash could occur.

[1]A compilation of the results of 187 separate estimates of the effects of specific school resources on achievement is found in Eric A. Hanushek, "The Impact of Differential Expenditures on Achievement," *Educational Researcher*, 18(May 1989), pp. 45-51. Subsequent studies have not altered the conclusions in that article.

[2]The rise in teacher salaries over the entire period actually incorporates a decline during the 1970s and rapid growth in the 1980s. The increases in real salaries have, however, almost exactly matched salary growth for college educated workers in other occupations. Therefore, relative salaries have remained essentially constant. The analyses of educational performance discussed earlier indicate that variations in salaries across teachers are not closely related to teaching performance. It may be, however, that changing the salaries of teachers relative to other professions would yield different effects. We simply do not have evidence one way or the other.

[3]Indeed one of the problems in many of the traditional school finance court cases has been the fact that many large inner cities are relatively rich in terms of property tax base and many of these spend above average amounts on schools, even though they have large poverty populations. Thus, the traditional argument that the existing financing system favors wealthy students requires further arguments.

Senator PELL. Thank you very much indeed, Mr. Hanushek.

We now come to Dr. Ronald Ferguson, associate professor at the John F. Kennedy School of Government in Massachusetts.

Mr. FERGUSON. Let me begin as the others have by saying how honored I am to be invited to be here today.

I would also like to begin by saying that I agree with most of Professor Hanushek's policy inclinations. I agree that there are significant advantages to local decisionmaking, as he just said. I agree that we need incentives for higher performance.

On the other hand, I have a few differences in perspective on what we should make of what he refers to as the tremendous amount of scientific evidence that shows no consistent relationship between spending and student performance.

I don't have my mind made up about what I think the appropriate Federal role should be in school finance, so most of my testimony here is just to make the point that the way I read the literature, and the way I read my own work in this area is that instructional expenditure matters and that on average, when schools have more money to spend for instruction, they spend it in ways that improve instructional outcome.

Let me direct your attention to a sheet of paper that I think was handed out with my testimony, which is actually a short article that I wrote a year ago since I was contacted late, and I didn't have time to write any testimony that was new in this case. In any case, at the top of the page it says, "The point here is to show that estimated relationships of expenditures to students' test scores are much larger and much more statistically significant if one uses instructional expenditures instead of total expenditures to predict students' test scores."

I am not arguing causation here. All I am arguing is that there is some relationship and association—when one changes, the other typically changes in the same direction—between instructional expenditures and student performance. This is basically a straight correlation that I am showing you right here. We can get into much more technical language, but I know we don't have time, and that's why I just showed you something very simple.

At the middle of the page, you will see four lines for different competency tests—3rd grade, 9th grade, 4th grade and 8th grade, basic competency test, Stanford Achievement Test. All of this data is from Alabama.

The top panel is numbers for total expenditures, the bottom panel is numbers for instructional expenditures. At the bottom, right-hand corner of the page, you will see a number of places where it says, "0.0000."

Senator DODD. Excuse me. What are you looking at?

Mr. FERGUSON. This page.

Senator PELL. I don't think we have it.

Mr. FERGUSON. Sorry; I'll pass it up to you.

To make a long story short, in the bottom corner of the page, all those numbers that are "0.000," the point is that there is less than a one in 1,000 chance that we'd get the estimates on this page if there were no correlation between instructional expenditures and student test scores. Again, statistically, there is less than a one in 1,000 chance that you would see the estimates here if there were

no correlation between instructional expenditures and student test scores.

I am not answering the question, Why is there a correlation? That could be a long conversation. But there is a very strong correlation.

Most of the literature that attempts to address these kinds of issues is from old data that are typically inappropriate, and the studies are often not well-done. Just let me say a few things to make that point.

We are currently going back through all of this literature, looking at the exact specifications of the equations people have used to estimate them in order to try to figure out why people have gotten the results that they have gotten. But in any case, most studies don't distinguish total expenditure from instructional expenditure and will use total expenditure and get weaker results than if they had looked at instructional expenditure again.

Again, there is not much consistent evidence on whether class size matters; but both surveys with teachers and my own recent work show that class size tends to matter after you get above the low twenties. We looked through all the literature, and there is not one study other than the ones that I have done myself that would allow you to measure that there is no effect of class size below the low twenties, and that effect starts to get stronger after the low twenties. It is basically people trying to fit straight lines through curved relationships, and not finding anything that is really smooth and consistent.

Teachers' salaries. In theory, teachers' salaries don't matter absolutely. They matter relative to teachers' alternative opportunities. So in order to specify studies correctly, you would have to measure the salaries in surrounding school districts and the salaries in competing professions in order to control for teachers' alternative opportunities. Very seldom is that done in this literature.

Again, on teacher experience, teacher experience effects are strong in the early years of experience, when teachers are learning on the job at a fast rate. After some period of between 5 and 9 years, that effect levels off, and additional years of teaching experience don't predict much additional teaching proficiency. Again, studies that don't accommodate the curve, so to speak, in that relationship are much less likely to find it there very powerfully.

In each of these things—instructional expenditure, class size, teacher salaries, teacher experience—I tend to find some effect. Master's degree is the one place where the literature doesn't find much and I don't find much effect of teachers' master's degrees. What happens there is that typically, the longer teachers are in the profession, the more likely they are to get a master's degree in order to get the pay stub.

Finally, in the work that I have done, the most powerful predictor of students' performance among school characteristics is teachers' own test scores. And the effects are very similar in Alabama and in Texas in the studies that I have personally done. It is also pretty consistent in the literature generally that we find positive relationships between teachers' own test scores, their own proficiencies and their students' test scores.

To wind up, the point that I would make again is that concerning money, instructional expenditure does appear to matter. There is some dispute in the literature about how much it matters. But even beyond instructional expenditure, if I had to focus my attention anywhere, it would be on the quality of teaching. That's where the rubber meets the road, in the classroom. The quality of teaching is a function both of teachers' basic academic preparation, much of what we pick up by test scores; it is also a function of what teachers know about how to teach. I think there are important reforms in teacher training that need to come about. I think there is much opportunity for in-service training for teachers, to take teachers who are already in the classroom and enhance their skills. I think there is a great deal of opportunity to develop new instructional materials that are modernized and take advantage of new technology.

So generally, the bottom line is the quality of teaching, and instructional spending matters.

[Information follows:]

Competitive Salaries, Teacher Quality, and Student Performance

Newly assembled data for the state of Texas show that higher salaries attract better teachers and that better teachers produce students who score better on standardized reading and math exams. For example, a measure of teachers' literacy skills explains roughly 25 percent of the variation among Texas school districts in students' average reading and math scores on statewide standardized exams. Using national data, a companion study shows that youth who score better on reading and math exams have higher earnings as young adults. Taken together, these findings suggest that, when targeted and managed wisely, increased public spending for instruction can improve student performance and, ultimately, the productivity of the nation's labor force.

While not intuitively surprising, these results are somewhat at odds with research findings from similar studies conducted during the past 30 years. Led by the famous Coleman study of the 1960s, the accumulated evidence has failed to show convincingly that school spending has any influence on student performance. These new results, however, suggest ways that increasing spending can improve both the quality and the equity of public education.

Differences between the findings reported here and those in other studies are due to several unique features of the data. In March of 1986, Texas required all teachers to take the Texas Examination of Current Administrators and Teachers (TECAT) for recertification. TECAT measures basic literacy skills. (Arkansas is the only other state that has tested all of its teachers with a single exam.) This is the first study to include a good measure of literacy skills (test scores) for an entire statewide cohort of teachers. Also, the data set for this study includes a rich array of socioeconomic background measures. It is an unusually large data set even when compared with the Coleman data, which covered 569,000 students. Statistical procedures in the present study include fewer actual entries because they group students into about 900 districts. Nevertheless, these 900 districts serve more than 2.4 million students, with more than 1.2 million in grades 1, 3, 5, 7, 9, and 11, which this study examines. Hence, the information in these data is extensive.

Texas requires all students in odd-numbered grades to take the Texas Educational Assessment of Minimum Skills (TEAMS). Results of the current study show that

school inputs affect students' scores on both reading and math components of the TEAMS. Better literacy skills (i.e., higher TECAT scores) among teachers, fewer large classes, and more teachers with five or more years of experience (nine or more for high school) all predict better TEAMS scores, controlling for a number of family and community background factors. Background factors include family structure (i.e., female-headed households), poverty, parental education, English as a second language, race, and other variables that distinguish cities and suburbs from rural places and small towns.

Teachers' test scores are by far the most powerful of the school quality measures. They are roughly equal in importance to parental education. A particularly interesting finding is that TECAT passing rates for high school teachers help to explain TEAMS scores for high school students only. But passing rates for elementary school teachers are important predictors for elementary *and* high school students' scores on the exams. This underscores the lasting importance of high quality teaching in the primary grades.

A second set of causal relationships concerns teacher supply. Three types of factors are most important in determining teachers' choices of school districts: the education level of adults in the community, the racial makeup of the community, and teacher salaries relative to those in surrounding districts and other occupations. Since more and better teachers can help to improve students' test scores and higher salaries attract more and better teachers, money matters for raising test scores. Other than the money spent directly for teachers and for basic instructional equipment, however, school spending typically pays for overhead functions that may be necessary but do not directly influence students' scores.

The results of this analysis have three strong implications for school finance reform. First, simply equalizing spending or salaries among districts is not enough to produce equal access to educational quality. For any given salary scale, some districts are less attractive to teachers because of the socioeconomic backgrounds of their students. If they are to stand a fair chance in the competition for the strongest teachers, less attractive districts must pay higher salaries than do more attractive districts. Hence, under most circumstances, equal access to quality education would require a politically unlikely solution: salary differentials mandated in state law to favor the least attractive school districts.

Moreover, both existing and potential teachers compare the status, financial compensation, and other satisfactions of teaching to the rewards available from career opportunities outside of the teaching profession. Thus, in recruiting and retaining teachers, districts compete with both other districts and other professions. Those that pay less than surrounding districts and less than what teachers could earn locally outside of teaching must have offsetting advantages, such as prestigious reputations or students from highly educated families, to equalize their attractiveness. Otherwise, they are left to hire the teachers that other districts and other professions reject.

This study recognizes that upgrading the quality of teaching overall will require more than salary differentials that rearrange how teachers distribute themselves across competing school districts. In addition, the study acknowledges that across-the-board salary increases will produce higher teacher incomes but, at least in the short run, are not likely to bring much improvement in teacher performance if the same teachers continue teaching in the same ways. To insure that salary enhancements foster improvements in teaching, salary increases need to be supplemented by efforts to assist existing teachers in upgrading their skills; measures to persuade talented and experienced teachers to stay in the profession; and campaigns to attract academically stronger candidates of all races into primary and secondary school teaching. Each of these will cost additional money.

The second implication of the analysis is that very large classes cause student test scores to be lower in the primary grades. Conversely, because a threshold exists, many classes may be unnecessarily small. The threshold for districts in Texas appears to be at a districtwide ratio of 18 students per teacher. When all teachers (e.g., special education, music, art, gym) in a school are included, this translates to an average class size in the low twenties. Adding teachers to achieve a ratio lower than this generally will not raise test scores. Adding teachers in order to push the ratio down to the threshold, however, should. For fifth grade, lowering the ratio from 21 to 18 is comparable to raising the percentage of adults with college educations in the district by more than 20, say from 30 to 50.

Third, forcing all districts to comply with any uniform set of spending rules or spending levels would be very risky and difficult to administer effectively. Much of the variety that exists is warranted. Schools have different demands on their resources (e.g., necessary

maintenance and transportation expenditures vary greatly); conditions such as very small classes or apparently excessive spending for administration may in some districts, under certain special circumstances, be necessary and efficient; and the number and quality of teachers that a district can attract depend not only on the salary it pays but also on the salaries that surrounding districts and other professions pay. Therefore, judges and state policymakers should proceed with great caution when regulating the spending patterns and expenditure levels of school districts that operate in different local economic environments and face different contingencies.

In conclusion, this study provides new evidence that skilled teaching is the most critical of all schooling inputs. In addition, as is true in most other professions, the study finds that higher salaries attract stronger candidates. Thirty years ago, teachers' salaries were not particularly high, but teaching attracted superior talent because teaching was an occupational ghetto for talented women and minorities. Since the mid-1960s, falling social and legal barriers to higher paying and more prestigious occupations have permitted the old pattern to change.

Today, it is no secret that teaching in public primary and secondary schools is among the least attractive of career options for this nation's most talented youth. Just as in the past, however, the quality of the nation's future depends on the caliber of its teachers. Wisely spent to upgrade the quality of teaching, more money for public schools can make an important difference.

—*Ronald F. Ferguson*

The research described here is funded by the Meadows Foundation of Dallas, Texas, and by the Rockefeller Foundation. This article contains excerpts from a longer paper by the author published in the Harvard Journal on Legislation, *Summer 1991, on "Paying for Public Education: New Evidence on How and Why Money Matters." A related paper, "Racial Patterns in How School and Teacher Quality Affect Achievement and Earnings," appears in* Challenge: A Journal of Research on Black Men, *May 1991, published by Morehouse College. Other papers from the project will be forthcoming.*
Ronald F. Ferguson is associate professor of public policy at the Kennedy School.

The point here is to show that estimated relationships of expenditures to students' test scores are much larger and much more statistically significant if one uses instructional expenditures instead of total expenditures to predict students' test scores.

RELATIONSHIPS BETWEEN EXPENDITURES AND STUDENTS' TEST SCORES.
(From simple weighted regressions.)

Scores from Alabama School Districts for 1989 and 1990.

	Coefficient	Probability of this Estimated Coefficient if there is Really no Relationship.
TOTAL EXPENDITURES (i.e., including Transportation, Maintenance, etc.)		
The test score predicted is:		
Basic Competency Test 3rd Grade	0.00097	0.175
Basic Competency Test 9th Grade	0.00192	0.030
Stanford Achievement Test 4th Grade	0.00281	0.032
Stanford Achievement Test 8th Grade	0.00306	0.022
INSTRUCTIONAL EXPENDITURES		
The test score predicted is:		
Basic Competency Test 3rd Grade	0.00517	0.000
Basic Competency Test 9th Grade	0.00793	0.000
Stanford Achievement Test 4th Grade	0.01300	0.000
Stanford Achievement Test 8th Grade	0.01364	0.000

Source: Estimates by Ronald F. Ferguson, John F. Kennedy School of Government, Harvard University, July, 1993.

Senator PELL. Thank you very much indeed.

We now come to Dr. Landa Trentham, a professor at Auburn University, Auburn, AL.

Ms. TRENTHAM. I too am very glad to be here and to have the chance to speak with you.

I find myself in agreement with the gentlemen who have already spoken, in many instances. But I think that money does definitely make a difference in terms of resources.

Last year, as part of the Harper v. Hunt case in Alabama, James McLean of the University of Alabama, Steven Ross of Memphis State University and myself looked at disparities in schools in Alabama. In terms of instructional resources, I think we know that certain things are necessary for teaching and learning, including up-to-date textbooks and reasonable laboratory equipment.

I'd like to show you the differences that we found in the State of Alabama in terms of some of the schools in the less wealthy districts and some of the schools in more wealthy districts. Senator Dodd has already very eloquently addressed that issue, but I'd like you to see what happens in terms of money and disparities.

[SLIDES.]

Ms. TRENTHAM. The first of these slides is a typical 8th grade science classroom in Pine Hills, which is Wilcox County. If you look closely to the left, you'll see one of the water spouts, but it is not hooked up to anything.

This slide is in Alberta. It is a typical classroom. Alberta is one of our poorer districts.

This slide shows the difference in Edgewood, which is an elementary school in Homewood, AL, up near Birmingham.

If you want to talk about special classrooms, this slide shows an EMR portable at Fort Deposit in Lounds County.

This shows another special classroom, the "Write to Read" room at Edgewood School again.

Resources. This shows the newest encyclopedia that we could find in Alberta School—notice 1975 is the date on it.

This slide shows resources in Edgewood.

This shows again a classroom, not a special classroom, but a classroom.

If you want to look at special education facilities, this is at Fort Deposit Elementary School. It is a portable that is used for gym classes when the weather is too bad for the children to be outside. We pulled the rug back to show the holes in the floor, and unfortunately, the children only have half of the trailer to practice in or to do any of their activities, because the other half is filled with broken chairs.

This is the gym at Edgewood, another elementary school in the State.

If you are interested in performing arts facilities, this is at Pine Hills. When I went there to look at Pine Hills, I couldn't really believe what this was. That is a coal pile out in front that is stacked up against the building, and you know, when the rain goes through a coal pile, the kinds of things that happen, and the dirt goes across the sidewalk. I thought it was a derelict trailer because it had only one window that was not patched in one way or another.

But if you look closely, you can see the brass; the children are in there in band.

This is a performing arts facility at Edgewood.

This is a playground at Alberta School in Wilcox County. The children call it their "imaginary playground," because even though the frames are there, there are no swings or seesaws. One little girl came up to the data collector who was there and tugged on her skirt and asked—because we had told them why we were there—"Are you the lady who is going to get us a swing?"

This is the playground at Edgewood. They have facilities there that make a difference.

This is the exterior at Pine Hills. It is not a prison. This is looking at the cafeteria and the media arts center from the main building. The playground is what you see in front of you.

This is also the exterior at Pine Hills. These are the kindergarten classrooms, and those are the rails that the children have to use as they go into the room—speaking of safety.

This is another exterior, but this one is over at Alberta instead of Pine Hills. That is the restroom. Notice the covered walkways and the general quality of the facilities.

This is the outside of Edgewood Elementary Schools.

Now let's look at the high schools. This shows the stage at Bibb County.

This shows the stage at Mountain Brook, which is a high school near Birmingham.

This shows the Bibb County gymnasium.

This is the shower room in the Bibb County gymnasium

This is Mountain Brook's gymnasium, their separate gymnastics facility.

This is the outdoor sports facility at Bibb County.

This is Mountain Brook's track, and baseball complex, and separate soccer field.

We could either leave you at Bibb County High School, but I'm sure most of you would prefer to be at Mountain Brook.

The children in the State of Alabama have a lot of differences to cope with. Even in Mountain Brook, the general expenditure per student per year is slightly under $5,000. In some of the other systems that you see, it is slightly more than $2,000. The students in the poor schools of Alabama and other States do not have the basic resources that are needed for an adequate education. These children learn a lesson, though. Some of them do very well in spite of their situation. There are outstanding individuals everywhere, but our children expect us to help them succeed.

They do learn a lesson, and that is that the people who have the power to make a difference don't always care. They don't always try to make that difference. Alabama's Constitution guarantees an adequate education to every child in the State. You see what we have in our State.

I'd like to hope that we will say something to the children across the country and that you gentlemen will be able to say something to the children across the country that will make a difference in their lives and the futures of all of us.

Thank you.

[The prepared statement of Ms. Trentham follows:]

PREPARED STATEMENT OF LANDA TRENTHAM

In the state of Alabama, there are 129 local school systems--67 county and 62 city--with an average of about 5,500 students per system for a total of about 714,000 in K through 12. Schools for these students are financed through a mix of state, local, and federal funds with local funds raised mainly through property, sales, and other taxes. Federal funds go to the State Department of Education and are distributed according to federal mandates. State funds go through the Minimum Program Fund which is supposed to allocate state funds in inverse proportion to local revenues to equalize funding of state-determined minimum educational programs for students across the state regardless of the local "ability to pay." The process, however, is so out-of-date and so often circumvented that it no longer serves the purpose for which it was designed. In fact, current use of state funds has become part of the equity problem not part of the solution.[1]

In terms of state and local revenues for one recent year, schools in Mountain Brook (AL) received $4,820/student per year, the highest rate in Alabama. At the other extreme in Roanoke City, state and local revenues provided $2,371/student per year. These differences accounted for a disparity of $61,225/year for a class of 25. These discrepancies do not appear in just the wealthiest and poorest systems in Alabama but are widespread and systematic. Federal funds which are generally "earmarked" do not close this gap in basic educational programs. Disparities have been present for at least 20 years so there is probably a cumulative effect. The funding gap is not closing but, in the last six years, has gotten more pronounced.

Last year, in Alabama's Harper v Hunt case, the courts found that the funding system for schools in the state denied children in certain locations an equal opportunity to education. James McLean of the University of Alabama, Steven Ross of Memphis State University, and I conducted a study of school disparities in connection with Harper v Hunt. Our purpose was to determine if inequities in funding did result in resource differences that could lead to denying students in certain districts the opportunity to gain an adequate education.

[1]Information here and in selected other portions of this statement is taken from the Harper v Hunt decision written by Judge Eugene W. Reese (March 31, 1993), Montgomery, AL.

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We selected 16 districts for study based on their 1989 local expenditures per pupil average daily attendance. The eight highest and eight lowest expenditure systems were selected. We actually only collected data in 17 systems since one of the wealthy systems declined participation. In each system, we collected data in one elementary school, one middle school and one high school for a total of 45 schools. Our teams recorded their observations of the facilities and resources, talked with the school administrator, and collected pertinent information from teachers at each location.

Wealthy districts included in the study were Hoover, Mountain Brook, Homewood, Opelika, Vestavia Hills, Dothan, and Huntsville. Muscle Shoals was invited but chose not participate. The poor, or low wealth, districts included were Butler County, Hale County, Bibb County, DeKalb County, Perry County, Dallas County, Wilcox County, and Lowndes County.

In terms of the study, an adequate education was defined as that required by the minimum-programs for K - 12 defined of the Alabama State Department of Education (SDE). It was easiest to see inadequacy in the high schools because the Alabama SDE mandates two types of high school diplomas: standard and advanced. Data gathered from our study and/or cited by Judge Eugene W. Reese in the Harper v Hunt decision indicate:

> Forty nine percent of high school students in wealthy systems are enrolled in advanced diploma programs; in low wealth systems only 29% of the high school students are in such programs.
>
> Some high schools in low wealth systems (i.e. Lawrence County, Monroe County) cannot even offer their students the advanced diploma programs which in turn limits their opportunities for college enrollment (i.e., must have an advanced diploma to enter the University of Alabama as of 1995).
>
> In my own county (Lee), not a single student graduated with an advanced diploma in 1991. In addition, not a single Lee County school is accredited by the Southern Association of Colleges and Schools.
>
> In some low wealth systems (i.e. Choctaw, Lowndes, and Wilcox counties) most of the schools are not even state accredited.
>
> In some low wealth schools there is no enrichment program of any kind. In fact in some schools (i.e. Monroe County High) there is no math above algebra I and no science beyond general science. Many offer no foreign language, music, art, or drama.

Some low wealth schools lack adequate textbooks and other support materials. For instance, in some schools students must share textbooks and are not allowed to take books home to study. In at least one school library, the newest encyclopedia was 1975.

Even in some new school buildings, chemistry labs have virtually no chemicals or other equipment with which students can work (i.e. Wilcox and Macon counties).

One science teacher had to show students a picture of a microscope because she had none for them to use.

Some schools have totally inadequate computer facilities, for instance, there is one computer for 500 students at Camden Middle School in Wilcox County.

It is estimated that about 40% of high school graduating seniors in Alabama need some remediation before they can begin college work.

A good portion of the disparities and inadequacies listed are tied directly to school funding. When the resources for learning are not available, students do not have a reasonable opportunity to learn. Slides taken during our observations in the schools provide graphic evidence of the conditions in Alabama schools. Rather than just tell you what we found, I would like to show you what our poor and our wealthy systems look like.

Not only are there disparities, it is impossible to believe that children who go to school in some of these facilities can get an up-to-date, adequate education. Children in these poorly equipped, poorly maintained schools do learn a significant lesson--that people who have the power to make things different, to make things better for them do not choose to do so. Rightly or wrongly, what these children learn to believe is that we do not care about them. What this does to their spirits, I hate to think. What it says about us as a nation and about our future, I do not like.

Senator PELL. Thank you very much indeed.

I'd like to pursue the slides you showed us. If you had additional money available for education—and the Federal Government is only contributing about 6 percent of the total amount, 5 percent to general education—if you had some money to spend, wouldn't you still rather it be spent on the quality of teaching instruction than on the buildings, or the bricks and mortar?

Ms. TRENTHAM. I agree with Dr. Ferguson that the quality of teaching is obviously the most important thing—but the quality of teaching is also based on the fact that those teachers have some resources to use. In our State, the average teacher spends between $500 and $700 a year of his or her own money to buy supplies for the classroom.

Senator PELL. Could you repeat that, please? The average teacher in Alabama pays what?

Ms. TRENTHAM. Spends between $500 and $700 of his or her own money to buy supplies for his or her classroom. That's in the study we did, but that is not necessarily every teacher.

Senator DODD. That's the point I was trying to make earlier, that my sister is not an isolated case. She tells me that goes on every day.

Senator PELL. I must say that's a shocking figure.

Ms. TRENTHAM. So when you are looking at 1975 encyclopedias and one computer for 500 children and situations of that nature, yes, good teachers make a difference, but good teachers can't do everything with nothing.

Senator PELL. I will turn to Dr. Ferguson whose statistics were interesting and ask you where you would put your emphasis if you had your choice.

Mr. FERGUSON. I suppose I would want to see some minimum standard in the physical facilities, no holes in the roof, for example. But again, my emphasis would be on the quality of teaching.

I am currently studying an initiative in Oklahoma that is trying to use some of Marva Collins' teaching techniques in the elementary schools there. Marva Collins is a name that you may know; she is a very successful black teacher in an inner city private school in Chicago who left the school system and takes children from the same neighborhoods but appears to achieve a great deal more.

What is happening there is they are taking teachers out of the classrooms and teaching them things that they never learned in education school. The teachers say they were never actually taught how to teach in education school. So here, we are giving teachers sayings that they can use to praise students; helping teachers to know how important it is to get children to speak in complete sentences; starting the day with a creed that has sayings in it that can be referred back to during the day to remind students about their behavior and so on; heavy emphasis on phonics and chants and techniques that children can learn to use phonics appropriately. And I could go long for quite a bit longer.

I just left a 2-week training session for teachers in Oklahoma to teach them these new techniques. That training session does not have any money from the State department of education.

Senator PELL. What would be an example of a creed?

Mr. FERGUSON. The creed is essentially a long poem that has in it language that emphasizes that the present is preparation for the future; that we are all special people; that smart people don't waste their time. So that, for example, when a student is misbehaving during the day, a teacher can say, "Johnny, please stand and explain to the class why, if you are too smart to waste your time—as you did say this morning, didn't you—why you were doing what you were just doing." Children don't like to have to stand up and do that, and teachers have found that to be an effective method in the classroom.

Senator PELL. Can the name of God be used in the creed?

Mr. FERGUSON. No, the name of God is not used in the creeds in Oklahoma. But there is a heavy emphasis on moral reasoning using various kinds of poetry and proverbs in some cases, where children memorize the poems and are asked to discuss the meaning of these poems for moral decisionmaking for their everyday lives, for example.

I asked one 6th grade class, Does anybody do things outside of school differently from the way you did things before you were in this kind of a classroom? Everyone's hand went up. And I asked one kid who was kind of hesitant, and he said, "Yes—I don't fight as much."

And I asked, "Why don't you fight as much?" and he recited me a line from a poem, that when you lie down with pigs, you come up with mud. So that's the reason why he doesn't fight as much.

But there are a number of other things that we could go on to talk about.

Senator PELL. Thank you. We can learn from that in politics, I think.

Mr. FERGUSON. In-service teacher training.

Senator PELL. I would turn now to Dr. Hanushek and Dr. Hickrod. How much good do you think it does to give money outright, without strings attached, to poor school districts? In other words, should there be strings attached, or do you think the local community can handle it?

Mr. HANUSHEK. I think we have gotten in trouble by trying to attach strings. My own view is that the educational process is a lot more complicated that we can describe in any simple way. So when we try to put strings on money, we try to boil it down to very simple things that can be checked easily, audited and so forth, and we end up doing mischief.

I agree with Dr. Ferguson that putting money into quality instruction is terribly important. We have an extraordinarily large amount of evidence to suggest that there are such things as good and bad teachers and that it makes a huge difference which teacher you have. What we have not been able to do is find out the secret, the recipe for making a good teacher, and we have been very poor at getting the recipe for how to select a good teacher in our past system. So that if we provide more money, we are not assured that the school systems will pay that more money to get a good teacher.

All of the studies suggest when we look at the existing teachers that the good ones are not necessarily paid more than the bad ones; in fact, frequently they are paid less. We just don't have mecha-

nisms to make sure that there are more of those good ones than bad ones.

That is why it is not a matter in my mind of putting strings from the Federal Government down to a locality, but to try to get a lot more local control on decision about whom to hire and how to run the educational system, and if anything, then, try to put strings or carrots or lumps of sugar on those school systems that do particularly well and to take them away from those that do particularly badly.

Senator PELL. Thank you.

Dr. Hickrod.

Mr. HICKROD. Well, I'm going to surprise Professor Hanushek by agreeing with him. I think money for merit schools makes a lot of sense. I mean, if you are going to introduce innovation into the system, I believe that you do have to reward new ideas and innovation in a merit sense.

However, one must be very careful about incentive grants, because very frequently on incentive grants, the incentive grants go to the large and wealthy school systems. That happens because the large and wealthy school systems have people who can write the grant proposals, and in small, poor systems, very frequently, if you do not provide some assistance, you just simply do not get the grant proposals, and therefore you can't get the money into the poorer systems.

So if one is going with an incentive grant operation—and I do support an incentive grant operation—you have to be very careful that everyone has a shot at the incentive grants. Otherwise, they will simply go to the affluent.

I would like to reinforce Professor Trentham's testimony. I have no horror stories equivalent to Bibb County. I have been to Bibb County, and I happen to know the situation there. But I can testify that when you relate expenditures to the curriculum, you will find that in the wealthier schools in Illinois, they have a much broader and much deeper curriculum, and in the poorer, low-spending schools, they have a much more shallow curriculum; they don't have remedial classes, they don't have college prep classes, they don't have foreign languages, they seldom have advanced mathematics. In other words, there is a direct correlation between the spending and what is offered in the schools; this is true. You can find it in virtually any State, and certainly it is true in Illinois.

Senator PELL. Thank you very much.

I turn now to Senator Dodd.

Senator DODD. Thank you, Mr. Chairman, and thank you all for your testimony.

I don't hear a lot of disagreement here. If there is any, it is on the fringes. I don't see any debate on Dr. Ferguson's point about teachers. Is there any disagreement among the four of you on his major point that the quality of teaching ought to be the primary focus of our attention?

Senator DODD. I see all heads shaking "no" for the purpose of the record—it is hard to record shaking heads here, so I'll say there is no disagreement there at all.

I wonder if you might comment on the administration of schools. We focus on teachers, but there is still a labor-management envi-

ronment, it seems to me, in our school systems. Today some of the most innovative corporations and businesses in the country are tearing down the traditional walls between management and labor. Working together, management and workers have designed a far more of a cooperative environment, not the sort of adversarial environment which reigned in the past. But that is not a healthy environment for producing a great product.

I am wondering in your examination of these issues whether or not we have looked successfully, or looked at all, at the administration of schools and whether we are finding that institution laboring under what business labored under for a long time. Is that something that ought to be the focus of our attention, or has it been examined?

Mr. FERGUSON. I'll start. Focusing on administration is part of focusing on teachers, because teachers can be much more effective when they have enlightened and supportive administrators. We have seen just from the project I mentioned a little while ago, there is a vast difference across schools in the quality of the leadership exercised by the principal to have their teachers involved in the initiative that I was just talking about. You can go to one school, and the principal will announce to the teachers: If we are going to do this, we have all got to do it; we are going to have continuity across grade levels in what we do.

You can go to another school, and the principal will say, Well, they don't all really want to do it right now. I've got a couple who are interested, and I'm going to help them do it for now. They don't feel authorized to require their teachers to participate.

Now, there are some ongoing meetings and trainings for principals that hopefully will help to empower them and equip them to be more effective, but every story I hear of a major turnaround of a weak school has to do with a change in the principal and some change in teaching personnel very soon after the principal changes.

I should also just mention that regarding the Texas work that I did, this is only suggestive, but instructional expenditure always mattered; it is simply that how much it mattered started to diminish after you got substantially above the average. There is someplace way above the average where it doesn't really matter much if you spend more on instructional spending.

If you are simply talking about predicting test scores, spending more on administration stops mattering significantly below the average. If you are way at the bottom tail, not spending much for administration, spending a little bit more tends to help in test scores. But when you get to—to use the technical term—one standard deviation below the average on adminstration, spending more doesn't appear to give you any more bang for your buck on test scores.

So there may be some scope to transfer some resources out of administration and into other uses.

Senator DODD. Particularly at the lower end.

Mr. FERGUSON. Well, at the lower end, we still need money in administration. There is some payoff. But I am saying that some schools are spending much more on administration than they need to, or than they appear to need to, although I wouldn't feel very comfortable trying to regulate that from the Federal level, either. Some probably need to spend what they are spending.

Senator DODD. I should say I'd be very surprised if you would find much of a desire here to reverse what seems to be a healthy trend, generally, whether it is in housing or a lot of other areas. I have a lot of faith today generally in the local decisionmaking process. That may have come about because in the 1980's, there were a lot of bad decisions being made at the Federal level, but nevertheless I think there is generally a pretty good feeling that there are good people out there at our local levels that care a lot about these issues, and they've got plenty of terrific ideas. In a lot of cases, it may be a question of resources and support.

Yes, Mr. Hanushek.

Mr. HANUSHEK. I have three things to say. One is that the record on administrative expenditure increases has been very strong. The only decade in the 20th century in which administrative expenditures per pupil did not go up more rapidly than instructional expenditures per pupil is the most immediate decade of the eighties, and it is the first time that it has turned around now in the whole century. So we have put a lot more resources in. Now, some of that might be trying to deal with regulations from more central authorities to deal with things and so forth, but administrative expenditures have gone up very rapidly.

Now, there are many stories of very strong leadership from principals and administrators in schools that appear to be effective. There, I think it is important to try to understand what is going on. As far as I can tell, it is almost accidental whether you have good leadership or not, because there aren't very many incentives for leadership to particularly perform better on tests or any other measures of outcomes. There are lots of cross-pressures that all administrators feel, and student performance is usually far down the line past all kinds of other things that are going on. So again, the sort of incentive theme that I was talking about before I think is very important for administration.

Third, once we identify good administrators, we don't know quite what to do with that because we don't know how to make good administrators or good leaders; we just don't have much information on how to produce other leaders that will come in and be as forceful as the ones we see. And that is the policy concern if we try to somehow work on the creation of leaders; on the supply side there, we don't know how to do it.

Senator DODD. I just assume that most principals were at one point teachers. Is that generally true?

Mr. HANUSHEK. Yes, that is true.

Senator DODD. And this is, I think part of a societal problem of a preoccupation with vertical ambitions, as I call them, rather than horizontal ambitions. You may be a good teacher, but the ideal is to become the principal rather than to become a better teacher. So that promotion is teacher-principal-superintendent, I suppose, on an ever-escalating ladder. So how you do break that cycle? Should we be training principals who are not necessarily teachers? I don't necessarily agree with that. I'd be a little nervous about that lack of experience.

Mr. HANUSHEK. It could be that you'd end up with people who were once good teachers that are ineffective administrators.

Senator DODD. More than likely—the Peter principle at work.

Mr. HANUSHEK. And in fact, that seems to be some of the common wisdom because we don't have, again, selection mechanisms or other mechanisms very well in place to judge administrators and their performance, either.

Senator DODD. Dr. Hickrod.

Mr. HICKROD. To further that point, Senator Dodd, I have worked in these educational administration programs for 25 years or more, and I have always found that the brightest and the best teachers usually end up in the wealthier school districts. They very frequently begin in a small, poor district, but very quickly they will seek a higher level of pay, and as a consequence, they will be gone. Now, I am not sure what you can do about that. They are acting like economic men and women, and they are reacting to a higher salary level, but it is just simply a statement of fact that there is considerable mobility within the school administrator ranks, and the more talented and more educated end up in the wealthier school systems. It is a real problem.

Senator DODD. Dr. Trentham, do you want to comment?

Ms. TRENTHAM. I think the sequence you described earlier of good teachers becoming administrators and moving up the line is at least in part a function of the kinds of things that the gentlemen have already said, and that is that rewarding good teaching and giving teachers additional opportunities to make progress, if you will, in their careers without having to go into administration would be very helpful to keeping good teachers in teaching.

Senator DODD. How about recruiting teachers? Again, going back to the disparity issue, a physical plant will have a lot to do with attracting a good teacher. If I looked at the two school systems of Bibb and Mountain Brook, and you asked me, "Where would you like to be for the next 20 years?" There is enough of the old Peace Corps volunteer in me, I suppose, to want to spend some time at the Bibb School, but I suppose I'd like to know that at some point I might be able to move on to something else where the environment on a day-to-day basis would be more appealing, easier to deal with, and with better facilities.

So it seems to me you've got a situation where trying to separate administrative expenditures versus instructional expenditures gets pretty blurred when trying to attract high quality teachers.

How do you attract that terrifically qualified teacher to stay in a rougher environment? I don't mean just the physical plant that looks pretty; I'm talking about where your life is in jeopardy. We've got 130,000 kids who bring a gun to school every day in this country, and putting aside whether or not the school smells right or looks right, just consider the fear of whether or not you'll get home that night. It seems to me there is a good argument to be made that we have got to attract the most qualified, the most energetic to teaching. How do you do that in the absence of some financial remuneration, other than appealing to the Peace Corps in every one of us—which may get you 6 months or a year but doesn't sustain a lifetime commitment? To use the Willy Sutton argument, which is "Why do you rob banks?" "Because that's where the money is," Why are you going to go to a rough schools except that that's where the money is, I suppose.

Dr. Hanushek, since you've questioned whether or not expenditures——

Mr. HANUSHEK. I certainly couldn't agree more that having safe conditions and a pleasant atmosphere makes a big difference. I have watched professors make choices of what schools they'll teach at on those arguments all the time, and they also make decisions on the basis of how much they are paid all the time. And I can't agree more that those are important things.

What we have is a long record of paying more for teachers and providing more funds in both rich and poor districts and not getting performance out of the students, so that we don't have a mechanism that guarantees that just paying more will in fact improve our schools and the performance of students.

I am quite certain that it is a necessary condition to be able to improve our schools that we have to pay teachers a competitive wage, provide them competitive surroundings and so on; it is not a sufficient condition, and we don't have the mechanism now, to make sure that we just pay those higher salaries to the good teachers. We have lots of evidence that we don't do it that way; that in fact some very bad teachers are earning just the same as some very good teachers, and vice versa.

I mean, if you look through Jonathan Kozol's book, which describes some despicable conditions, conditions that we should not allow to exist in this Nation, you see in there also that there are some teachers that are very good by his own measures, found in surprising places.

What we need is mechanisms that expand that number and expand the number in places where it is terribly important, where we are misserving the population now.

Senator DODD. Dr. Ferguson.

Mr. FERGUSON. My disagreement with Professor Hanushek is really just a matter of degree, not fundamental. I think we want to distinguish the quality of teachers and teaching across the system as a whole versus the relative quality in neighboring districts. I think your comment and question had to do more with the relative quality in neighboring districts. You were talking about where people choose to go given that they are going to be teachers.

Senator DODD. Right.

Mr. FERGUSON. And I have found clearly in the studies that I have done for both Texas and for Alabama that the relative salary of competing districts does matter, and where teachers who have good, high test scores go. It appears that districts are able to distinguish in their screening which teachers are likely to be stronger. They do appear to hire from the front of the queue, and the weaker districts that pay the lower salaries tend to get the teachers who are leftover after the other districts have had their pick of the litter—not that there are never any mistakes made, and not that there are never any other criteria that come in in selecting teachers, but on average in these two States, it looks like your assumption about that process is correct.

Senator DODD. Well, Jaime Escalero is a classic example. He couldn't get a job because he was a Bolivian who didn't speak English all that well, so ended up teaching in an inner city Los Angeles

school where he ended up becoming a star, but was rejected by other schools. That was an accident.

I've taken a lot of time, and I apologize. Our colleague from Vermont, who has a deep interest, has been waiting.

Thank you, Mr. Chairman.

Senator PELL. Thank you.

Senator Jeffords.

Senator JEFFORDS. Thank you very much. I am sorry to be late, but there are a lot of other things going on today, some of them related to what we are doing here.

First of all, I am just very pleased we are having this hearing. I think it is incredibly important. I believe strongly that we just are not doing enough for education. It should be a top priority in this country. We have to reorder our priorities, and the time to reorder our priorities as far as making money available is now; when we are downsizing the military, we ought to discipline ourselves to channel additional money to high-priority needs. And to me, education is one of those.

I look at what we spend now, and less than 2 percent of our national budget goes into education. If it is a top priority, it has to be more than that. The question is where do we spend it, and how do we get the money to spend.

First of all, I am a strong believer that responsibility for education must be shared by all levels of government: Federal, State, and local. But I also believe that it is best to leave the curricula to States and local governments. But it seems to me we are asking the schools to do so many more things now besides just teaching, and they are so underfunded that it strains the capacity of the teachers to teach and of the students to learn.

We had a hearing last week that highlighted the inequities faced by our schools, on the availability of technology, computers and so on. There is a huge disparity in the quality of and the location of technology in schools. If we are trying to help our teachers teach, and only a small percentage of our schools have the educational technology to make up for some of the other inequities, we have a Federal interest, in my mind, in making money available for technology. In Head Start, still, we aren't anywhere near fully funding that. In special education, we said we would provide 40 percent for that, and we only provide 8 percent. And nothing drains a school more, and yet it is a very important area, than trying to take care of special ed students. Health care, preventive health care, diet, mentoring, after school activities are all important, and yet there are no resources, in my communities, anyway, and I think this is true around the country.

So why I am here today is to try to at least urge people to push for reordering our priorities. The national service program is on the docket right now on the Senate floor, and we are reducing the number of young people who can go into the military now by 100,000 a year. I was in the military, and I believe it is an excellent educational experience for young people. That is almost $2 billion a year less that we are spending on young people for education, and yet not one penny of that was shifted over to the education side, and I am trying very hard to get the national service program funded at a reasonable level, saying, look, we are cutting

$2 billion out of education for young people—why don't we shift some of it over and put some of it on the deficit?

So I hope these hearings are a beginning of an opportunity to convince the public that the future of this Nation depends upon education, and if we are going to take advantage of the huge world markets that are opening out there, we have to help the students coming through, from grade school students all the way up, in order to do that.

So I'd just give you a little idea about where I'm coming from. I look back, and I have been around a long time, but we used to have something called revenue-sharing, and that started in California in the California school system. President Nixon at the time said we've got to help provide more money for the local communities to be able to support education. Well, we passed it, but unfortunately we didn't limit it to education, and then everybody started spending it on swimming pools and whatever else, so we killed the program. Yet if we had, as I wanted to at the time, changed that so it was for education only, and then, of course, everybody screamed at that saying, Well, now, the Federal Government is going to take over the school system.

Anyway, I would just ask for your comments as to what factors are important at the school level to make it possible for teachers to teach? It seems to me there is so much schools have to do and are being called upon to do to replace what perhaps used to be the family is responsibility, which is totally different now; it used to also be the churches' responsibility which are different now, and the schools are being called upon to take on new roles.

Mr. HICKROD. The revenue-sharing item that you mentioned is terribly, terribly important. The only time we made real progress on reducing the disparity between school districts in Illinois was when we had the revenue-sharing program back in 1973. We did reduce the variation in expenditure per pupil between the Illinois school districts for a period of about 4 or 5 years, and the reason we were able to do that was because we had that revenue-sharing money. It made all the difference in the world.

So absolutely, you should look at that possibility.

Another thing occurred to me as you were talking. There is aid in kind as well as aid in cash. As you are reducing the size of the military and these other operations, is there some way one could retrain individuals who were in the military, who might be interested in working in an inner city, or something of that nature?

What I have in mind is maybe I can meet Professor Hanushek's problems with aid in cash by suggesting that there might be aid in kind; you could actually send people into these difficult educational environmental situations rather than send cash.

Senator JEFFORDS. Well, that's what I am suggesting with the national service program, and I have been working with Eli Segal on that. I think one of the critical areas where young people could be helpful is to go back into the schools via mentoring, or after-school activities, or whatever else, to try to fill the void, to help kids finish school—our dropout rate is terrible, as we all know—or teachers' aides, or to work with special ed children, or whatever.

It seems to me that if we are opening up the national service line, which I think is an important thing to do, and giving edu-

cational benefits to those who participate, we should expect a lot out of them, and we should put them where they really can perform a helpful activity, and certainly in the school system is where I think they could really do so.

Dr. Ferguson.

Mr. FERGUSON. I guess my inclination would be to use them not in the school systems, but in the neighborhoods after school and on weekends. Particularly for young adolescents, the time that they get into trouble is right after school, before mom gets home from work. There is a lot of potential for neighborhood-based programs that operate out of churches and rec centers and other local institutions to provide healthy developmental activities for children that can reinforce school. The most effective of these programs are structured in ways that they have tutorial assistance immediately after school and then recreational activities and other developmentally appropriate activities for children.

Senator JEFFORDS. Thank you.

Mr. Hanushek.

Mr. HANUSHEK. If I might just saying something about the overall spending on schools, which I react a bit strongly to, it turns out that the peak in terms of the proportion of GNP going to education was somewhere in the mid-1970's, maybe 1974, and that it has been downhill ever since then. And when we think about what is going on there, what is really going on is that there was a tremendous drop in school-age population from the 1970's until a few years ago, and that allowed total expenditures to grow very slowly and to be very low relative to GNP even though per-student expenditures were growing very rapidly.

We are now going into a period where just the opposite occurs, where we are going to go back to a growing school-age population so that the growth in per-student expenditures is compounded by the growth in the number of students, so that the rate of increase in spending is going to go up automatically in the next few years, without doing anything, just to serve the same students at the same level.

Senator JEFFORDS. You're talking percentage of GNP.

Mr. HANUSHEK. Yes, as a percentage of GNP and total spending. The reason why I am concerned about that is that I think schools have gotten a lot of support in the last 15 years from the population because the taxpayers' tax bills just have not gone up at the same rate that real spending on schools has gone up. It has been masked by the fact that the total population has been declining so that a school district can maintain its old budget, no new taxes on schools, and yet the expenditure per student goes up 3 or 4 percent real in any year.

When that turns around, I think that we are going to go into a period of much more fractious local politics that is going to be very divisive, and that is why I keep saying that this is an extraordinarily important time in our consideration of school finance and education reform to get it right, because you have to get that process ahead of this almost automatic increase in expenditures that is going to come about from the change in the student population.

Senator JEFFORDS. Thank you.

Mr. HICKROD. Just one qualification on that. The revenues from the local property tax source have gone up enormously in Illinois to the extent that Governor Edgar felt constrained to try to put a ceiling on the growth in local property taxes in the entire State. Now, he withdrew that because he didn't have the votes to pass it in the Illinois General Assembly, but around Chicago, the local property taxes have gone up enormously, and they are following the escalation of the property valuations themselves at a constant rate; if your valuations are going up, as I said in the previous testimony, 100 percent over 5 years, then of course your local property taxes are going up enormously. So there is a real bite on the local taxpayer.

Senator JEFFORDS. I know in our schools, many of them are turning down budget after budget now; we are still trying to get budgets passed in some of our communities. So this is a serious, serious problem, and I don't think anybody disagrees with that.

Thank you, Mr. Chairman.

[The prepared statement of Senator Jeffords follows:]

PREPARED STATEMENT OF SENATOR JEFFORDS

Thank you, Mr. Chairman. I am glad that we will have the opportunity today to begin exploring this sensitive issue of school finance. We have all heard stories and seen examples of the inequities that exist among schools and districts within a State and among States. It is clear that some children are being shortchanged and not receiving the top quality education that is a part of our American tradition.

When we look at the present system of how we finance education in this country, it is not clear where the responsibility lies to correct these inequities. Although there are wide variations across the country, the Federal Government contributes on average only about 6 percent of all the costs for public elementary and secondary education, while the States contribute almost 50 percent and local districts are responsible for raising the final 44 percent.

In my home State of Vermont, an even larger share of the cost of education is financed by local property taxes. Vermont taxpayers pay on average 65 percent of public school costs at the local level, which results in wide variations among districts based on the property wealth of different towns and communities. Still, Vermont spends an average of $6,850 per pupil which is well above the national average.

Despite overall high spending in Vermont, our State legislature is still trying to devise a plan to reduce disparities among districts. They have debated plans to negotiate teachers' contracts at the state level and to increase the State income tax and sales tax to ease the burden on property holders and to shift the responsibility to the State. They have considered consolidating small school districts and maintaining control of schools at the regional level. Whatever is finally decided, it will be a result of long, hard deliberations and will most likely reflect significant compromise and consensus.

What disturbs me is that although we call education a top national priority, the States and local school districts still pick up 94 percent of the tab. I have argued in the past, and I continue to be-

lieve, that we must demonstrate our national commitment to the young people in this country by fully funding all existing education programs and doing what we can to ease the burden on States and local governments.

The Committee for Education Funding has estimated that to fully fund all the elementary and secondary education programs on the books, we will need to double our spending on education from the current $10 billion to a total of $20 billion. However, fully funding the programs that exist now is not enough. I believe that the time has come to take a long hard look at all the programs we have now, small and large, and to reprioritize where we spend our Federal dollars. We need a coherent, comprehensive plan to ensure that all our children receive a quality education.

Senator PELL. Thank you very much.

Thank you very much indeed for being with us. We'll now move to our second panel.

Senator DODD. Mr. Chairman, can we leave the record open for some written questions? I know we want to move on, but I have a few more questions about the constitutional amendment and a few other issues that I'd like to solicit some opinions on, so I'll do that in writing.

Senator PELL. Absolutely, yes. We'll leave the record open for several days.

Senator DODD. Thank you, Mr. Chairman.

Senator PELL. We now welcome our second panel, which includes Dr. Charles Benson, professor of education at the University of California at Berkeley; Dr. Bob Berne, associate dean of the School of Public Service at New York University; and Dr. Albert Cortez, of the Intercultural Development Research Association in San Antonio, TX. Mr. Jack Renny was not able to be with us.

Dr. Benson, we'll start out with you, please.

STATEMENTS OF CHARLES S. BENSON, PROFESSOR OF EDUCATION, UNIVERSITY OF CALIFORNIA AT BERKELEY, BERKELEY, CA; ROBERT BERNE, ASSOCIATE DEAN, SCHOOL OF PUBLIC SERVICE, NEW YORK UNIVERSITY, NEW YORK, NY, AND ALBERT CORTEZ, INTERCULTURAL DEVELOPMENT RESEARCH ASSOCIATION, SAN ANTONIO, TX

Mr. BENSON. Thank you, Mr. Chairman, members of the committee. I appreciate the opportunity to speak here.

Very quickly, I would like to go back to some recent events in school finance. In the 1970's and into the early 1980's, there was considerable interest in the topic. There were groups of academic types, including lawyers, around the country who concentrated their efforts on school finance equity. In California, if modesty permits, I was a member of a group that brought about the first successful State constitutional challenge to school finance.

It is a matter of being careful what you wish for—you might get it. We now have equality in California, and we don't like it. This was not entirely due to the school finance process; Proposition 13 helped out, too.

But the point is that in those days, the emphasis was on disparities in achieving equality, and if not equality, something called fis-

cal neutrality, which was a straight-line relationship between expenditure per student and local tax rates.

I would submit that there was no national constituency for school reform as we knew it in those days, and when the foundations, Ford and Carnegie Corporation particularly, withdrew their funds from what came to be called the school finance community, there was no national outcry; no one seemed to feel deprived.

The activity came to be called the school finance reform movement. I suggest that there was too much school finance and not enough reform. In other words, the Federal leadership not being much in evidence could have directed the allocation of funds toward major educational objectives and pretty much it was whatever happens happens with the money. I think oftentimes in school districts that are the beneficiaries of extra funds, pretty much the same instructional processes were carried forward, simply, but in a somewhat more expensive manner.

So I would, with respect, suggest that this time around, a school finance reform movement from the outset place emphasis on seeking change in the way that educational services are offered to students.

To me, the weak point, the single weakest point, in our American educational system at this time is the secondary schools. Secondary schools still today are run pretty much the way that we are told business firms should not be run; they are top-down institutions, the teachers work in severe isolation from each other, students ratchet around during the day from one class to another, in 50-minute periods, with lecture, text, chalk and blackboard. No connections—or few, I should say—are drawn between the content of one subject and the content of another, and few relationships are drawn between theory and what the theory can be used for. Students oftentimes are in a puzzlement as to why they are expected to learn the abstractions laid before them.

Reference was made to the military and the success of military education. One thing about the military education is that the members of the armed services in training understand very well what the theory they are being taught is to be used for; there is a blending of the instruction which, in the cognitive science community, is now called contextualized teaching and learning.

And as a footnote to the last testimony, there is presently a program to bring retired military persons into the schools called "junior ROTC." It is now being evaluated by the Rand Corporation and simply in anecdotal evidence, it seems to have many good points, in any case.

So we have what I would call a dysfunctional educational system in terms of its secondary component. Now, it is not wholly dysfunctional, because some students like the liberal arts, and they like the courses in the college prep program. But we have a fixation about the liberal arts, and elementary school students are divided into those who will go to a 4-year college and those who will not; middle school is pre-college prep; and in high school, we have college prep, and then we have 4 years of college, often taken by students with no clear idea, even upon graduation, as to what their education is to do for them. In other words, we encourage, or if not encourage, allow, people to exercise their taste for schooling.

So what I would suggest is that we connect the school finance reform movement with a major effort to establish a technological stream standing alongside the college prep program and competing for students, and in the technological stream, there would be different ways of presenting learning to students—contextualized teaching and learning; cooperative learning, so successful in the elementary grades; a productive connection to the business community. Our economy needs this different kind of education, and our students need it in order to gain access to learning.

Thank you very much.

[The prepared statement of Mr. Benson follows:]

PREPARED STATEMENT OF CHARLES S. BENSON

In 1955, with a freshly-minted doctorate in economics and lodged in the Graduate School of Education at Harvard, I began an attempt to change the nature of educational finance in the United States. Over the years, those of us interested in that quest became a group, known as the "educational finance reform movement." We received generous support from Ford Foundation and Carnegie Corporation. Our efforts were directed in part toward trying to persuade education committees of state legislatures to change patterns of state-local support for schools. In addition, our efforts, particularly those taken up by the lawyers among us, posed challenges on constitutional grounds to existing school finance schemes in state courts.

In both approaches, our concerns centered, excessively I now think, on the formulas that linked state support from general revenue to funds drawn from local school district tax bases, most commonly property tax bases. Some progress toward greater equity, as we then defined equity, was made, but I am chagrined to see, nearly 40 years after I started my own quest, that the basic conditions that disturbed me in 1955 still prevail. First, disparities in real resources per student are very wide, with, in general, students who need the most help getting the least of it. (This is still true in California, even though the dollar differences in current revenue per student, one school district to another, have become quite narrow.) Second, some schools at the bottom level of support (some in inner city, some in low-income suburbs, some in impoverished rural places) continue to be of a truly deplorable condition. Third, the performance of students in American schools is very uneven, and the differences in student performance appear to be related more to social class than to anything else. Hence, we observe a process of inter-generational transfer of poverty and its corollary: life that is short and narrowly conscribed.

From what I have noted above, one might conclude that I think that there is a close, positive correlation between revenues (or expenditures) per student and student outcomes. With respect to real resources available in a given school, yes, to a degree, but with respect to dollar resources at the district level, certainly not. Some very high spending districts enroll concentrations of students who display very low educational achievement. So here we have two other ways I think we went wrong in the earlier school finance reform movement. For one thing, we concentrated almost altogether on disparities in district level revenues and expenditures and paid little heed to intra-district allocations to individual schools. Ideally, we would like an unequal dollar distribution per student among institutions in our large cities, favoring low achieving schools that show a capacity to upgrade themselves substantially, and we would also like the wisdom to justify such a distribution in the political arena.

Secondly, we went wrong in highlighting disparities per student in dollar terms, without regard to what dollars bought—or were allowed to buy—in different educational settings. As an example of such a problem, consider the following. Imagine that a big city district has a policy of placing newly-hired teachers in its deprived schools and a second policy of allowing teachers to use seniority to bid themselves out of their initial placements. In effect, such a policy, if it should still exist, disallows deprived schools from bidding for experienced, ambitious instructors.

I would also point out that there has been a very limited constituency for school finance reform. It has consisted of low wealth districts in a particular state at a particular time, reform-minded academics in schools of education, some public interest lawyers, and in earlier years, a few foundations. In my observation, civil rights groups at the national level have not been interested. Middle class families who became involved with the issue oftentimes see it as a threat to the quality of education of their own children.

The cause of school finance reform has not been aided by education production function studies, such studies commonly showing no strong positive relationship between expenditures per student and student achievement. To say that money can't make a difference in education violates common sense. To say that the studies show money doesn't make a difference can be explained in various ways. One is to say that the data so far available for study of education production are not appropriate for identification of the determinants of student achievement. Or one can say that schools are so inefficiently organized that it takes a very long time for the injection of resources to make a difference in educational production. My own view is that having more money available in a school district does not change the production function of that district in any significant way. If there are two schools one rich and one poor, each will try to conduct educational programs in the same fashion. If a poor school gets more money, it does the same things for students, only in a more expensive fashion. Students who could not tolerate the ways that theoretical constructs were presented to them before the new money arrived cannot tolerate the same basic kind of instructional program after it has become more expensive. New money could buy a different kind of program, a program that places rigorous learning within the delighted grasp of virtually all students, but that is not what has been happening.

WHAT TO DO THIS TIME AROUND?

We need a strong Federal presence in school finance reform to help states reach a pattern of inter-district expenditure allocations that is reasonably uniform. We also need a Federal presence to help establish a common standard of provision for all students within any given district. Only a common standard of provision can establish the level playing field, such level playing field being a necessary condition to assure that targeted Federal appropriations for elementary and secondary schools are truly supplementary to the state/local revenue base. (This strong Federal presence was not much in evidence the last time around.) A strong Federal presence in school finance reform implies that there will be guidelines for state action. In what ways should policy for school finance reform proceed?

I. To pick a negative point, let us avoid discussions about preferred formulas to link state and local revenues in support of schools. Foundation plans, district power equalizing, state guaranteed tax bases, etc., if properly designed, all do the same thing. There is no magic in equalization formulas that attempt to even resources in the face of very uneven local tax bases. In the last round of school finance reform efforts, a lot of time was wasted in rarefied discussions of formula equity.

II. Let us encourage states to take action to make local tax bases (per student, of course) more even. As long as tax bases are very uneven, states face an insurmountable problem. The only way to reach a reasonable degree of fiscal neutrality among districts, meaning that there is a fairly close positive relationship between local tax rates and local expenditures per student, is to engage in "recapture," meaning that the taxable resources of richer districts are put in service, explicitly, for support of educational programs in poorer districts. State courts have not looked with favor on recapture schemes. In addition, it is a politically divisive policy for states to adopt.

One way around the problem, admittedly extreme, would be for states to ignore differences in local tax bases and provide all the money for local schools out of state coffers. I suggest the experience of California indicates this is not a good way to go. California is well above national average in personal income per capita, but it is below national average in school expenditures per student. In real terms and relatively speaking, support of schools in California has declined since the state took over school finance completely as affecting the vast majority of its districts. It is not hard to see why full state funding leads to diminished school support under our existing public finance practices. Even if voters have positive feelings toward public education and want to provide more money for it, there is no mechanism in state fiscal practices, initiatives for bond issues aside, for people to express such positive feelings. Even if there were, even if, for example, voters every year could vote on whether to increase revenues for schools, voters who were parents would reasonably ponder how much of the corresponding state tax increase would end up in the schools their own children attended. This is precisely where the small, rich, suburban district has such an advantage in raising handsome funds for education.

So we have a dilemma. Leaving tax base inequalities alone and trying to take care of things through equalization formulas doesn't produce inter-district equity, or not enough of it. Ignoring tax base differences and paying for schools altogether out of state revenue sources could, in principle, handle the equity problem in the near term, but the longer term effect is gradual diminishment of the overall support of

schools. Getting an equitable slice of a pie that is far too small is not good for students, especially low-income students.

Fortunately, there is a middle ground between the two extremes of doing nothing about local tax base inequality and doing too much, namely, programs to even out but not eliminate tax base inequality. In public finance terms, the objective is to get tax base inequalities down to a point where the state can provide equalization grants to bring school districts into a reasonable balance of expenditures, one district to another—and to do this without political stress and an undue burden on the state's budget. There are three avenues toward tax base equalization known to me. One is to subject industrial and commercial property to statewide, not local, taxation for all local tax jurisdictions. What such a move would do to the total yield of property tax on industrial and commercial properties is not easy to predict. It depends on concentration of industry, its effectiveness in influencing state tax decisions as compared to local, and the propensity of state officials, as compare with local, to trade tax concessions for jobs. I suspect the change in total yield would be rather small.

A third approach to tax base equalization, and my preferred one, is to shift levies from property to personal income, as a local add-on to state personal income taxation. This obviously wouldn't work in states without personal income taxation, and I would not recommend, as an alternative, that there be a local add-on to state sales taxation. Differences in local sales tax bases can be even larger than differences in property tax bases. In a state where there are many small school districts, costs of administration of a sales tax add-on would be high and the annoyance to chain distributors could be considerable.

My preferred alternative for tax base equalization is placing local taxing authority for schools into regional or county bodies. The nature of tax base consolidation would vary from one state to another, depending on a state's fiscal history, but I find the idea basically simple. This approach has some of the effects of revenue stultification of full state funding: "how much of the region-wide school tax increase is going to end up in my school for my own child's benefit?" However, regional revenue stultification from tax base consolidation should be less than it would be in a statewide approach. Whatever stultification exists might be moderated by allowing modest add-ons to the regional levy for the exclusive use of the local district voting them. This approach of reducing disparities in local tax bases, in share with distribution of state equalization funds, would not produce complete equality of per student expenditure across districts, but it should take us close enough. As I noted above, complete equality mandated by the state appears to be associated with a diminishment of financial support for education

III. State governments should be encouraged to accept a new role in elementary-secondary education. This I regard as extremely important. It is commonly stated that "education is a state function." States regulate teacher certification, specify requirements for high school graduation in terms of student hours in courses, set entrance requirements for their public universities, approve textbooks, and devise state aid formulas, but few states address directly the question of individual school performance. The technical assistance that states provide to individual schools is quite limited. Failing schools are allowed to continue in existence decade after decade, serving badly the children of the uneducated parents they enrolled twenty years earlier. Staff of superior schools are not encouraged to share their bench mark practices with staff in schools that are not doing so well.

Part of the state's assumption of responsibility for individual school performance should be a concern with intra-district allocations of real educational resources. With data processing capabilities now available in both state and local offices, it is possible to determine what specific resources a particular school should have to meet a common standard of provision. At first, these estimates will not be perfect, but if the inventory is conscientiously developed, it should become more functional and comprehensive as we learn more about the components of a common standard of provision. Once the estimates are developed, real resources should flow to given schools to meet their needs of a common standard. If some schools have resources in excess of a common standard, there should be a re-allocation in favor of schools below the standard, absent some extraordinary reason to maintain preferential treatment.

If resources are still not available in a given city school district, let's say, to meet all the needs of a common standard, then the state should assist districts to ration scarce resources equitably and efficiently. My preference would be to give priority to schools that show low student achievement and that also demonstrate capacity to improve.

With a common standard of provision in place within school districts, the state and the management of the district are in a strong position to demand accountabil-

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ity for student performance of all schools within a given district. Yet, despite best efforts, it may turn out that some schools, even with a common standard of provision and with their fair shares of Federal subventions, still have too many students who perform poorly. These schools may need something extra from state and local sources. In my observation of inner-city schools, to take an example, one thing that seems to make a difference to students is whether the school is open in the afternoon and evening and on weekends. This kind of extra service does not necessarily cost a great deal.

SCHOOL FINANCE REFORM: DEFINING THE CONSTITUENCY

I noted above that the last major school reform effort lacked a strong national constituency, and, in many cases, had not even a statewide constituency. In my view, the question of where to find support for school finance reform remains a problem. I shall try to suggest a solution. The school finance reform effort requires a focus. Last time, the focus, insofar as it was defined at all, was the abstraction of social justice. I believe in this country at this time, relying upon the concept of equity to win broad national and statewide support for school finance reform, is a loser.

I propose instead that we link school finance reform to a significant issue of instructional change, namely the nature of education offered to those who lack a deep commitment to the liberal arts. By their demonstrated behavior, such are the majority of our students today.

Before the attacks start coming down, let me say that I am not anti-intellectual. I believe in rigorous instruction in mathematics and science for all, and I wish the great majority of our students appreciated the beauty of mathematical and scientific reasoning. I am passionately devoted to the visual arts, and I don't think my interest in any way reflects my Ivy League education. Nor do I think it would be a good idea if more students enrolled themselves in narrow, job-specific vocational education.

What we have in this country is a system of education in which all serious efforts are centered in the liberal arts. In elementary school, students are divided into those who are headed for four-year college and those who are not. Middle school is pre-college prep for some and pretty much nothing for everybody else. The only strong program in secondary schools is college prep. Everybody outside college prep in high school gets watered down college prep, presented with blackboard, chalk, text, and lecture to students who are silent, passive, and immobile. Few if any connections are drawn between the content of one fifty minute period of instruction and the content of the next subject. No connection is drawn between such theory as is given and the uses of knowledge in real life. Let's face it, one of the main things that renders our educational system ineffective is a void in secondary education. Except for the favored few who are in college prep and find they like the courses, secondary students in this country are bored to distraction.

What I propose is to link school finance reform to development of a powerful technological stream of education, standing alongside the liberal arts stream. Please let me repeat this is not an anti-intellectual position. Leonardo, Benjamin Franklin, Thomas Jefferson and Alfred North Whitehead, to name four, would find a place for technology, "knowing how things work," within the liberal imagination. Nor is the position I have stated anti-economic growth. In terms of arguments now thoroughly familiar, the enhancement of technological sophistication in our population is a necessary condition for preserving good jobs in this country and for the creation of more good jobs. I note also that the need for technological sophistication in work is not confined to manufacturing. Service industries, banking and finance, communications, transport, health, and agriculture all require a work force that is technologically adept.

There are attributes of education in a technological stream that are worth noting. Many believe, and our research in NCRVE indicates, that these attributes of technological education make rigorous learning in math, sciences, and languages accessible to a far, far, broader swath of our youth population than conventional college prep and its watered down versions. One attribute is contextualized teaching and learning, such that real life applications illuminate the meaning and uses of theoretical ideas at the very time those ideas are put before students. Another is cooperative learning, practiced in secondary schools—students spending a significant part of their school time working in groups in a project-based curriculum, with the teachers role transformed from that of lecturer-in-charge-of-all-student-activity to that of coach. Yet another is establishment and maintenance of educationally-productive relations with industry. Lastly here, I mention the practice of teachers' working in

teams for the development of programs for their whole school and establishing partnerships with teachers in other schools for benchmarking exercises.

There are other practices in technological education, of course, but this short list is sufficient to give the idea that education in a technological stream is a quite different process from what we see in schools today. It is a much more active process for the development and exchange of knowledge than most of our teachers and students now enjoy. It is a process that can be seamless from secondary school through community college and on to the baccalaureate in a technical field. It is also a system of choice, in that students are able to choose their secondary and college majors from a variety of technical fields, helped by technologically-informed counselors—and to switch fields should the first choice turned out to be inappropriate. Students can also choose when to leave formal education—and when to return to it. At any point after high school graduation, students should be able to exit from formal education with economic benefit.

In closing, I respectfully propose that school finance reform be linked to the goal of creating an economically functional education system, not replacing our liberal arts stream but standing alongside it and competing for students as clients. Federal leadership toward the twin goals of finance reform and the creation of a more functional education system is essential. State governments would also have a lot of work to do, not only in providing financial support and technical assistance but also in removing barriers to change in their local districts. I am confident that this approach will tap a reservoir of knowledge and energy in our teaching force almost beyond imagining.

I thank you for this opportunity to present this material to the Sub-Committee on Education, Arts, and the Humanities.

Senator PELL. Thank you very much.

We now come to Dr. Bob Berne.

Mr. BERNE. Mr. Chairman and members of the committee, thank you very much for giving me the opportunity to talk with you today about school finance.

For the past 15 or so years, I have been doing research on equity in school finance, but I come to you today in my 5-minute period with a very specific recommendation on the Federal role. Others have started to talk about different avenues for Federal involvement, including rejuvenating the teaching force and, as Dr. Benson talked about, a technological stream in education.

I want to talk about a much more specific and in some sense, narrow, recommendation for you to consider. I think you should not underestimate the role these hearings will have in the school and education community. For the Federal Government to get back into school finance, an area from which it has been absent for quite some time, will send ripples through the system. And I know, with budget deficits, and health care crises and problems beyond our borders, we aren't talking about large sums of money. But even with small sums of money, Federal attention on this issue can be very important.

It is in fact Federal leadership that I am talking about, and I define leadership very simply as being able to take you someplace that you would not have gone by yourself. I use the example of special education, where I would submit that school districts would not in fact have put together programs for disabled youngsters in the form that they do now, albeit far from perfect, without some sort of Federal leadership. It was an example in an intergovernmental system of the Federal Government taking the leadership and moving school systems toward—I say "toward," because we aren't there yet—a system of humane and effective education for all of our children. The analogy is a rough one, but I think in the area of school finance, over time, with some thought, Federal leadership can play an important role.

Now, I understand that we have a locally drive, property tax dominated system. It has gotten us where we are today, which in no small measure is a great accomplishment. But within that system, there is still a Federal role. And that Federal Government role is not to solve the problem of school finance inequities, but to be part of the solution, a situation that it has not been for the last dozen or so years.

If one were to ask what the Federal role should be to deal with inequities in school finance, you will get, through these hearings and other processes that you are involved in, many recommendations: reconfigure Chapter I; prepare general aid for education; change the definition of equity and impact aid. There will be no shortage of methods for dealing with this. But I submit there are two prerequisite issues that can start the path to Federal involvement that are in some ways narrow, but very important. They are prerequisites for doing anything about equity in school finance.

First, we have to decide—and Congress clearly plays an essential role in this—what is the definition of equity from the Federal perspective. We talk about disparities, we talk about wealth neutrality. We in school finance have, it seems, a monopoly on technical terms. But what do we mean from the Federal perspective when we say the school finance system is inequitable?

It involves value judgments around which reasonable people can disagree. And I think you need to start the process now of thinking through, through your staff and congressional process, what the Federal definition of equity should be.

Should it be different resources for children with different needs? Should it be eliminating the relationship between wealth and spending? Should it just be eliminating the relationship between spending across school systems?

Moreover, you have another difficult question: Should you be focusing on the differences across States? When you look just at the average spending form State to State, you see vast differences. Or, should you be focusing on the differences within States—examples we saw vividly in the slides presented earlier, but also referred to in some of the earlier testimony. Or, should we be looking within cities and within districts, where I submit there are in some sense large and uncovered disparities that still exist in our system.

The Federal Government can make significant mileage by paying attention to those differences, by looking at them, by debating them, by calling attention to them, and by, as you are doing, holding hearings around the country. People are sensitive to the fact that the Federal Government will now be looking at this, and I submit this attention itself will make a difference.

Second, the Federal Government can get back involved in collecting information that is required to better understand our school system. For the last dozen years, the Federal Government has gradually withdrawn, leaving to individual States data collection around outcomes, dollars, and the very teaching force that the previous panel agreed was the most significant factor in education.

One thing the Federal Government is good at is doing things across States, where no one State in itself would do it, and collecting the information in a rigorous, precise, valid and accurate way

is an important Federal function and one that existed up until the late 1970's and has been mostly absent since.

If the Federal Government combines the information that is required to look at outcomes, to look at teachers, to look at spending, and seriously debate that equity definition, I believe that that activity itself will start to elevate the problem of disparities across school systems on everyone's agenda throughout the education community. And when and if you are ready to move in bolder ways—bolder ways, by changing the way in which you distribute Chapter I dollars, focusing more on concentrations of poverty, or thinking about general aid dollars that may be tied to State or school district improvement in school finance equity—if and when you are ready to move in that direction, you will have the background information and experience to debate, to in fact move in a direction that is appropriate for this deliberative body.

Now, I realize that is a little different than a broader call for improving the teaching force or fully funding Head Start, but you have to start somewhere; you have to take the first steps in moving the Federal Government back into school finance debates. And I submit these are doable, not very expensive, and the ratio of attention to dollars that you will receive for moving back in will bring attention to the spending and will start to elevate this on the agenda.

Thank you very much.

[The prepared statement of Mr. Berne follows:]

PREPARED STATEMENT OF ROBERT BERNE

Mr. Chairman and Members of the Subcommittee: Thank you for giving me the opportunity to discuss with you a most important issue: the potential role of the Federal government in elementary and secondary education finance, particularly in the area of equity. For the past seventeen years as a professor at the Robert F. Wagner Graduate School of Public Service at New York University, school finance equity has been one of the focal areas of my research and I am pleased that you are raising an important set of questions through these hearings. I have prepared a short statement and then would be pleased to discuss the issues further. (I was out of the country until July 20 and learned about these hearings upon my return. Thus I have not had the time to prepare a lengthier analysis.)

Let me state my bottom line conclusion first, and then return to several ideas that form the basis of my position. Despite the fact that it is well-accepted that we have not one but fifty plus educational systems in the United States, I believe that there is an important role for the Federal government in the issue of school finance equity. The specifics of that role are not simply determined, but to walk away from a state of affairs that may have more to do with the quantity and quality of education received by the youth of America than almost any other issue is inconsistent with my definition of Federal leadership.

Let me provide a brief example by analogy, rough as it may be, for the potential Federal role in school finance. I have found that a useful definition of leadership is the ability to take people to a desired outcome that they would not have reached by themselves. When I was in public school, the education provided to students with physical and emotional disabilities was either inadequate or non-existent. It was not that long ago, but students with learning disabilities were not treated humanely and certainly were not receiving appropriate education. The situation today, while not perfect, is significantly improved, due in large measure to the leadership role played by the Federal government. By moving the U.S. education system in the right direction, and in a direction that it would not have moved by itself, the Federal government changed education in a fundamental way. I believe that in the area of school finance equity, the Federal role can be similar, although there will need to be some debate over the best approach to take.

There is little doubt that the intergovernmental system set out by our Constitution has many advantages in general, and for elementary and secondary education in particular. American education permits substantially more local input and control

than other more centralized national systems, and this matches a strongly-held belief in our culture. But it is also part of our culture that the Federal government should and does take action when the results of this decentralized system do not yield desirable outcomes for all groups, particularly those who are most in need. Examples in elementary and secondary education include low income, "disadvantaged" pupils; pupils with disabilities; and pupils whose native language is not English. It is important to note that in each of these cases, the Federal government is not expected to solve the entire problem, but is expected to be a significant part of the solution.

It is also a fact that the U.S. education system relies heavily on the property tax, which through most of our nation's history permitted education to secure the resources it needed through taxation. Again, an examination of the full effects of this reliance today may be beyond the reach of any individual state, and this may be a place where the Federal government can play a role.

My main argument for this Subcommittee is that the current inequities in our school finance system are every much as serious a national education problem as inadequate early childhood education, overly bureaucratized schools, non-existent or low educational standards, and sub-standard preparation of our teaching force. In fact, if the finance inequity issues are not addressed simultaneously with these other problems, the solutions, if they can be found and implemented, will only benefit a subset of our students. We all have to acknowledge that no system is perfect, but the results of our state-based, property tax-dominated, locally controlled education system, appear to be leading to an unacceptable outcome. That is, unless there are substantial changes in school finance, the basic notion of equal opportunity for all American children will be impossible. It is this unacceptable outcome that cannot be ignored by the Federal government.

With my bottom line conclusion that Federal intervention is called-for in the area of school finance equity, proposed action must be assessed in light of the pressing problems facing the Nation, for example, the budget deficit, the health care crisis, and the need to help solve problems beyond our borders. As it turns out, even if there was a consensus at the Federal level to take action on school finance equity, the basic information needed to define and establish such a policy is not available. In other words, before we can debate seriously the appropriate form of Federal intervention—for example, new Chapter 1 allocation methods, a new general aid program to promote equity, or new regulations on all Federal programs to promote school finance equity—we need to address two basic questions that the Federal government has avoided over the last dozen or so years. The two questions are as follows: (1) What is the appropriate definition of school finance equity from the Federal perspective? and (2) Once a definition or definitions of equity are selected, how can each state's level and trends in equity be assessed? The answers to both of these questions are prerequisites to formulating a Federal policy, regardless of what it turns out to be. Moreover, it will take time for the answers to the two questions to be obtained. Thus I argue that work on the answers to the questions should proceed immediately, especially because the activities required to answer the questions do not commit the Federal government to any particular policy option. But without the answers to the two questions, no effective action is possible.

Let me conclude with several observations concerning the two questions and about directions for Federal intervention in school finance equity. First, what is the appropriate definition of equity from the Federal perspective? Close to twenty years of research on school finance equity can be used to provide part of acknowledge that no system is perfect, but the results of our state-based, property tax-dominated, locally controlled education system, appear to be leading to an unacceptable outcome. That is, unless there are substantial changes in school finance, the basic notion of equal opportunity for all American children will be impossible. It is this unacceptable outcome that cannot be ignored by the Federal government.

With my bottom line conclusion that Federal intervention is called-for in the area of school finance equity, proposed action must be assessed in light of the pressing problems facing the Nation, for example, the budget deficit, the health care crisis, and the need to help solve problems beyond our borders. As it turns out, even if there was a consensus at the Federal level to take action on school finance equity, the basic information needed to define and establish such a policy is not available. In other words, before we can debate seriously the appropriate form of Federal intervention—for example, new Chapter 1 allocation methods, a new general aid program to promote equity, or new regulations on all Federal programs to promote school finance equity—we need to address two basic this answer and it has both conceptual and empirical dimensions. At a conceptual level, school finance equity is not a term that can be defined in the absence of values; that is, it is not a value free concept. Another way of saying this is that two people can disagree reasonably

over the definition of school finance equity. A second conceptual point is that school finance equity can be examined from the perspective of the child as well as the taxpayer, and at times the choice of a perspective can lead to different and competing concepts of equity. Historically, if I were to derive the Federal definition from currently enacted programs, I would conclude that the child perspective dominates, but the past does not have to constrain the future.

From the child's perspective (as well as from the taxpayer's), there are different equity principles that can be developed conceptually. For example, if we assume that all children are the same from a finance perspective, then the principle of horizontal equity, or equality, applies. The differences in education spending per pupil within a single state or the differences in spending across states, inequities that are well known to members of this Subcommittee, are examples of the measurement of this equity principle. A different principle of equity focuses on the differences among pupils with different wealth or ability to pay for education. Unequal resources, by themselves do not necessarily violate this principle, sometimes known as equal opportunity with respect to wealth, but the fact that spending per pupil is related to wealth or ability to pay is the key problem. Many state court decisions are based on this principle. A variation on this theme is the fact that there are often differences by geographic areas, such as urban versus suburban versus rural, or differences by racial and ethnic group. Finally, a different principle of equity recognizes that all pupils are not the same, and that equity may translate into unequal spending per pupil, once factors such as resources available outside of school, ability to speak English, and physical and emotional disabilities are taken into account. This principle, often called vertical equity, focuses on the appropriately unequal resources for pupils who are different and deserving of different treatment.[1] Thus, part of the debate at the Federal level needs to include the degree to which one or more of these three equity principles will be incorporated into the Federal definition of equity.

Even after choices have been made about the equity principles, there are decisions that need to be made about how to measure equity according to the different principles. The point here is not to decide the issues of the best equity principles and measures from the Federal perspective here and now, but only to indicate that conceptual choices need to be made before any policy can be formulated to respond to the inequities, and that these conceptual choices can be informed by research. The conclusion that is directly related to the deliberations of this subcommittee is that the answers to the conceptual questions will take time to develop and if the process is not begun now, no Federal action to address school finance inequities will be

The second question is also important. That is, once a definition or definitions of equity are selected, how can each state's level and trends in equity or the differences in equity across states be assessed? Assuming for the moment that we can answer the conceptual questions, the actual measurement of school finance equity in the fifty states with the precision that is necessary for Federal policy is not possible with current data. This is not the appropriate time to go into the numerous data problems such as the measurement of revenues and expenditures, student and district characteristics, cost of living differences, and ability to pay, and the absence of coterminality, but with 50 states and close to 15,000 school districts, this is a complex enterprise.

The problem is all the more serious because, until recently, the Federal government had retreated on its traditional commitment to data definition and measurement in school finance. Even now the activities of the National Center for Education Statistics would have to increase to develop properly a data base that could be relied upon for Federal school finance equity 11 policies. And, because this takes time, the development of this data base is a Second activity that needs to proceed as a prerequisite to a future determination of the Federal role in school finance equity. such a data base in not only needed for equity measurement, but can be important for the assessment of alternative taxation approaches to the traditional property tax.

Research has shown that progress toward school finance equity over the past fifteen years has been uneven. In some cases the state courts have acted as a catalyst, and in other cases states themselves have developed reform agendas, but in many cases poor, needy children receive fewer educational resources than their wealthier neighbors. Unfortunately, even in states where progress has been made, often there is a tendency for the improvement to be short-lived. During these hearings you will

[1] Elsewhere the argument has been made that vertical equity is the equity principle most consistent with Federal programs. See Robert Berne and Leanna Stiefel, "Equity Standards for State School Finance Programs: Philosophies and Standards Relevant to Section 5 (d) (2) of the Federal Impact Aid Program," Journal of Education Finance, vol. 18, no. 1, Summer 1992, pages 89-112 possible.

be presented with a variety of steps that the Federal government can take to improve school finance equity across states, within states, and even within districts. While I am confident that you will take these arguments seriously, given the current state of Federal involvement, it is unlikely that the Federal 12 government will enact a bold intervention very soon, despite the obvious need. But this does not mean that the Federal government must remain silent on the issue. In fact, there are two activities, both of which will take some time, both of which are prerequisites to broader interventions, that the Federal government can engage in immediately. The first is to begin a process to define and measure school finance equity from the Federal perspective. The second is to enlarge Federal data collection efforts so that school finance equity levels and progress can be measured across states, in each of the fifty states, and within districts with the requisite reliability and validity to support Federal policies. Not only are these steps necessary prerequisites for broader policies, but the actions themselves will be an important sign that the Federal government is prepared to enter the battle for school finance equity.

Senator PELL. Thank you very much.

Dr. Cortez.

Mr. CORTEZ. Mr. Chairman, members of the committee, we want to thank you for giving us the opportunity to address you this afternoon.

I am the director of the Institute for Policy and Leadership at the Intercultural Development Research Association, which is a nonprofit research and training and advocacy organization based in San Antonio, TX, specializing in issues and programs impacting on minorities, low-income students, and students with limited English proficiency. The organization was created by Dr. Jose Cardenas, one of the country's foremost experts on minority education issues.

It is fitting that the committee address school finance and hear from Texas because it was in Texas that one of the earlier battles for school finance reform and school finance equalization originated back in the 1970's, with the filing of the Rodriguez case involving the poor Edgewood school district in San Antonio.

In Texas, we are currently in the third round of court challenges to the State funding system, and although there has been some improvement in the system over the last 3 years, we still cannot say that every student in Texas has access to the same amount of money for education.

In our decade-long struggle to achieve greater equalization in our State, we have also come to learn that the systems that are in place are often created by design and that there are many groups with vested interest in maintaining the status quo. We have also learned, however, that State equalization efforts can be facilitated by the presence of incentives to make progress toward equalization.

In our State, that incentive has been delivered by State court mandates which have required the State to decrease the amount of funding disparities between property poor and property rich school districts. Yet despite legal victories in the courts which date back to 1988, Texas continues to struggle with creating a system which will provide similar levels of return for similar tax effort for all children in all school districts in our State.

Despite a decade-long push for reforming the State system, Texas continues to have one of the largest expenditure differences of all the 50 States. According to data compiled in Education News in 1992, Texas ranked number one among all the States in the extent of the funding disparities between the poorest and the wealthiest districts. While the poorest district in 1991 spent $2,150 per stu-

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dent, the State's wealthiest district was spending $14,514 to educate each of its students.

Federal funding for education has consisted of targeting funding to address specific issue areas. While this has contributed to somewhat improving services available to some students, this approach has often resulted in the laying of Federal dollars on very unequal State funding bases, therefore often supporting continuation of the unequal status quo.

It is not surprising, then, that in these past Federal efforts, we have seen mixed results as these moneys have provided low-wealth school districts a few resources to shore up minimal programs while affording wealthier school districts additional revenue to further enrich already adequate programs.

While all children are affected by inequalities in school funding, minorities tend to be particular hard hit by inequalities. Research on the economic status of minorities reveals that most Hispanics and African Americans are concentrated in lower-income communities, which correlates to having fewer resources available for education.

In the Rand Corporation study on inadequate minority student performance in math and science, entitled, "Multiplying Inequalities," the authors found that extensive lack of success experienced by minority students in math and science was primarily attributed to lack of access to quality teachers, lack of access to quality programs, and lack of access to adequate school resources.

It is obvious that the lack of resources for basic programs is carried over into lack of resources into specialized areas like math and science.

Studies on the extent of equalization in State systems are helpful in setting the context, but will probably do very little in terms of creating change at the State level. One way for the Federal Government to encourage and support funding equity is to take the extent of equalization into consideration when determining Federal education funding to the various States. Formulas can be developed to gauge the extent of equalization within the State, and Federal aid could be adjusted in proportion to the extent to which States are achieving an equalized system.

Federal funding incentives could also be developed that reward States that make substantial progress toward equalization. The criteria for determining the degree of equity could use statistical measures assessing the extent of variation within a State system, and eligibility for incentive aid could be based on the extent of variants from some federally established equity level.

Let me conclude my remarks by saying that in his book, chronicling the inequalities in many of the State funding systems, Jonathan Kozol, the author of Savage Inequalities, observes: "There is a deepseated reverence for fair play in the United States, and in many areas of life, we see the consequences of genuine distaste for loaded dice. But this is not the case in education, health care, and inheritance of wealth. In these elemental areas, we want the game to be unfair, and some have made it so."

We in Texas do not believe that education has to remain unequal. We do not believe that equal educational opportunity has to be a distant dream for children who have been waiting for decades,

and we support this committee's effort to make education a fair game for all children, regardless of where they happen to live.

[The prepared statement of Mr. Cortez follows:]

STATEMENT OF ALBERT CORTEZ

Mr. Chairman, members of the committee my name is Albert Cortez and I am the Director of The Institute For Policy and Leadership of the Intercultural Development Research Association (IDRA). IDRA is a non-profit research and training and advocacy organization group based in San Antonio Texas specializing in issues and programs impacting on minorities, low income and students with limited English proficiency. The organization was created in 1973 by Dr. Jose Cardenas one of the country's foremost experts in minority education. Our current Executive Director is Dr. Maria Robledo Montecel, a national-level leader in dropout prevention and other programs serving students at risk.

It is fitting for the committee to hear testimony from Texas, because it was in one of the states in which the early battles for school finance equalization were started, and where the major federal court suit challenging the legality of gross inequalities in school funding *SAID vs. Rodriguez* was waged back in the 1970's. Texas has long been a key battle-ground in the fight for achieving more equity in the money available to educate students. It is also important to hear from Texas because it is a state where the legal battle to achieve equalization in funding continues in the new state case, *Edgewood vs. Meno*.

Achieving greater school equalization is not a reform agenda limited to Texas however. Texas is but one of 28 states around the country in which the state system of school finance is being challenged.

In Texas we are currently in the third round of court challenges to the state funding system and although there has been some improvement in the system over the last three years, we can not yet say that every student in Texas has access to equal amounts of revenue. In our state, as in many states around the country, the quality of a child's education is still significantly affected by the wealth of the neighborhood or community in which that child happens to live. In the two decade-long struggle to achieve greater equalization in Texas, we have also come to learn that the systems that are in place were often created by design, that there are many groups with a vested interest in maintaining the status quo, and that state equalization efforts are facilitated by the presence of incentives to make progress toward equalization.

In our state that incentive has been delivered by state court mandates which have required the state to decrease the amount of funding disparities between property rich and property poor students. Yet despite legal victories in the courts which date back to 1988, Texas continues to struggle with creating a system which will provide similar levels of return for similar tax effort for all children in all school districts in the state. Because of long standing conditions, achieving funding equalization in Texas has been not unlike rolling a boulder up a long high hill; a long difficult process requiring persistence, with a constant need to guard against a tendency to backslide.

Despite a decade-long push for reforming the state system, Texas continues to have one of the largest expenditure difference of all the 50 states. According to data compiled in *Education News* in 1992, Texas ranked number 1 among all states in the extent of the funding disparities between its poorest school district. While the poorest district in 1991 spent $2150 per student, the wealthiest district was spending $14,514. Even after the adoption of two revised state funding plans the issue remains mired in state courts, and the Legislature is still reluctant to react to the Edgewood plaintiffs' plea for a more fair and equal system.

Achieving funding equity is difficult not only because of the power of certain vested interests but because the education community is often split on the issue. This fragmentation among the state's strongest education supporters prevents the issue from being at the top of many education groups' reform agenda.

While many consider the achieving of equal access to funds to be primarily a state problem, recent national action in the area of national education goals and performance standards raise several important issues. If the federal government is serious about achieving goals and having students perform up to certain standards it will have to consider the status of the resources of school systems that will be the primary vehicles for achieving those goals and standards. Goal and standard setting without attention to the resources needed to achieve them is like talking about reaching some distant shore without considering the money it will take to build the ship to get there.

Federal funding has traditionally consisted of targeted funding designed to address specific issue areas. While this has contributed to somewhat improving the services available to some students, this approach has often resulted in the layering of federal dollars on very unequal state funding bases. While per pupil amounts for federally funded programs may be relatively equal, they are put on top of existing state funding systems that are often very unequal.

It is not surprising then that these past federal efforts have had mixed results, as these monies provided to low wealth districts are used to shore up what is a very minimal funding base, whereas funding going to school districts with higher tax revenues can be used to more effectively supplement and enrich an already adequate program.

While all children are affected by inequalities in school funding, minorities tend to be particularly hard hit by inequalities in state funding systems.

In a Rand Corporation study on inadequate minority student performance in math an science, Multiplying Inequalities, the authors found that the extensive lack of success experience by minority students to in math and science were primarily attributed to 1) lack of access to quality teachers, 2) lack of access to quality programs, and 3) lack of adequate school resources. It is obvious that the lack of adequate resources for basic programs is carried over into lack of resources in specialized areas such as math and science.

Research on the economic status of minorities reveals, that most Hispanics are concentrated in lower income communities, which correlates to having less resources available for education. Programs for minority pupils, while assisted by current federal funding, could have significantly more impact if they were built upon an equalized funding system within a state.

According to a study of the impact of Chapter 1 funding on state policies and funding practices, providing incentive aid to encourage states to develop new initiatives has contributed to state level educational reform and the creation of state funded programs serving under-achieving students. How might the federal government use this experience for the creation of more funding equality in state funding systems?

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Studies of the extent of equity in state systems are helpful in setting the context, but in and of themselves will probably not lead to extensive changes in the status quo. In many states studies have been conducted of the equity in the funding system (as suggested by the litigation which has occurred in 28 states) and the extent of inequality may already be well known. What is lacking in our state, as in many other states, is the political will or the resources to make funding equality happen.

One way for the federal government to encourage and support funding equity is to take the extent of equalization into consideration when determining federal education funding to the various states. Formulas can be developed to gauge the extent of equalization within a state, and federal aid could be adjusted in proportion to the extent to which states are achieving equalized systems. Legislation related to compliance with certain civil rights standards could serve as a model for a compliance type approach to an equalized funding standard.

Federal funding incentives could also be developed that reward states making substantial progress toward funding equalization. The criteria for determining the degree of equity could use statistical measures assessing the extent of variation within a state system. Eligibility for incentive aid could be based on the extent of variance from some federally established equity level. This carrot approach to support funding equity might have more appeal for states, particularly those facing critical state funding shortages.

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Senator PELL. Thank you very much, Dr. Cortez.

I have one question, and I'm sure the answer will probably be in the affirmative, but should the States be forced to equalize education spending across school districts? Should that be the responsibility of the States?

What would you say, Dr. Cortez?

Mr. CORTEZ. The responsibility for equalization should rest with the States, but the Federal Government can play a very significant role in equalizing resources. In studies that we have reviewed of Chapter I, Senator Pell, what we noticed is that the Federal Government's allocation of money to help underachieving students actually resulted in the creation of State-level programs that provide State-level resources for underachieving students. So I think that if the Federal Government created movement and incentive for equalization, it would set standards and provide leadership that States like Texas are sorely in need of.

Senator PELL. Thank you.

Dr. Berne.

Mr. BERNE. Clearly, it is a State responsibility, but as Dr. Hickrod pointed out earlier, the evidence is very grim on what progress we have made on equalization in the last 20 years. The States frankly need help. I have had many occasions of talking with State legislators, and the legislature clearly is where the action is in those State decisionmaking processes.

Where they will say one thing publicly to represent their constituencies, they will say privately that they would love to have a solution to the problem that does not mean taking resources away from their constituents. Well, it is a case where a system that has served us well for a couple hundred years, developing schools through first an agrarian and then a more mixed economy, has led to a system that the political differences across States have created a logjam. In some cases, the courts have to help, in some cases, the business community will come together along with advocates. But the Federal Government is a very powerful level from which to talk about these changes. Yes, it is a State responsibility, but they need help.

Senator PELL. Thank you.

Dr. Benson.

Mr. BENSON. Yes, Senator, it is a State responsibility, but I think that for change to occur, the Federal Government does need to exercise leadership which includes financial incentive grants. I am impressed with the power of rather small amounts of Federal money in certain fields of education. One of these is the Education for All Handicapped Children Act, which is not fully funded by the Federal Government. An even more striking example is in not everyone's favorite subject, but vocational education, where roughly 10 cents on the dollar is succeeding in changing the nature of that field.

The States respond, in my view, to a grant even when the amount of money is not phenomenal. It is in part a symbolic presence of the Federal Government. I think some dollars need to be attached to that presence, but I don't think one has to imagine at this time that the Federal Government has to provide all of the dollars to close those gaps that should be closed.

Senator PELL. Thank you very much.

Senator Jeffords.

Senator JEFFORDS. Thank you, Mr. Chairman.

I want to again thank you for holding this hearing, and the Senator from Connecticut, who has been a leader in this area.

I am committed to trying to improve the financial capacity of States and local governments and by more help from the Federal Government, but my basic question is where do we start. Is the best way to start by fully funding those things that we have? That would go on the basis that we know the present programs we have are working. I would like some comments on that as to whether you know of any true analyses on some of these things that indicate that we would be best suited by fully funding these, or should we look to other ways to improve and increase the Federal Government's role in the questions of what needs to be done in this country to make our education better?

Dr. Benson.

Mr. BENSON. Thank you.

I think a very strong argument can be made for fully funding what already exists. I think also, to support Dr. Berne's position, the time is now to begin a Federal discourse about inequality in American education.

And third, knowing where I come from, I would like to see serious Federal attention given to what is variously called transition school to work career pathways, and I just heard today school to work apprenticeships.

Senator JEFFORDS. Thank you.

Dr. Berne.

Mr. BERNE. Coming at this from a New York City perspective for a moment, and wearing one of my other hats aside from school finance research, I am currently evaluating one of the 32 Head Start transition programs that exist across the country. These are programs to take dollars and provide resources in K through 3 schools that have significant numbers of Head Start children, to try to emulate to some degree the Head Start model in the early grades.

My reading of the literature suggests that the Head Start model for preschool children has enormous dividends. I don't want to take away from the elementary and secondary education community. But for my money, given a marginal dollar, I would look very seriously to giving children some equality of learning opportunities coming into the public school system. So much is formed in those early years that I think fully funding Head Start would make a significant difference. We can't prejudge what the evaluation will say on the transition program, but I do have to say that the spirit and the idea of merging these two planets, these different worlds of Head Start and public schools, I think could pay huge dividends.

So I believe that there are opportunities for examining the existing programs and increasing the Federal role. At the same time, however, I do think you have to look at some of the ways you distribute some of the existing resources, including Chapter I, and even small programs like impact aid, where again, the Federal presence makes a real difference. You make a statement from the Federal Government level, and it carries with it much more, as Dr.

Benson suggests, than the small amounts of resources that you may be able to gather.

So I think looking both at what you are now doing and developing some new programs would have some payoff in improving equity for all children.

Senator JEFFORDS. Dr. Cortez.

Mr. CORTEZ. I agree with Dr. Berne that you will probably see differential impact depending on where you invest your resources, and the notion of fully funding early childhood education where you can early in the child's educational experience do many things to equalize opportunities is a very good thing.

On the concept of fully funding all existing programs, I want to reemphasize the point that if you full fund Federal programs and layer them on top of unequal State systems, you probably will not be doing much to narrow the gap in disparities among the various districts.

So I agree with Dr. Berne's point that we should be willing to take a step back and look at existing Federal resources, put more money into Federal funding if we want, but at the same time use as a criterion for State allocations the extent to which the State itself is allocating its own resource to create greater equalization.

I think when you do that, you are generating incentive for increased State commitments to equalization.

Senator JEFFORDS. Just one last question. Dr. Berne, you mentioned a concern about the lack of evaluation of results of various programs, and maybe I didn't hear you right, but what concerns me is that we have run a whole number of experimental educational programs, and maybe I just have not been alert, but I have not seen any longitudinal evaluations of any consequence in these programs. Do we do a good job at evaluating these programs?

Mr. BERNE. I think you are making a slightly different point than I made, and I'll come back to that. My point was that I think in terms of just basic data collection for those evaluations, the Federal Government has in fact stepped back from what I thought was its traditional role in the 1970's of providing a baseline so that people could come from different perspectives and evaluate these projects.

I think the evaluation question is a tougher one, and in general I think it is mixed. But even in a major program like Chapter I, I'm not sure I can go to the literature and fully understand from that literature Chapter I's effects. There are certain advocates who claim it has very precise effects in particular schools and others who claim it is being spread way too thin for too many students. And despite the episodic examinations of Chapter I and the attention to outcomes that has recently been put in there, I would say I could not look at that and, from that evidence alone, make a firm judgment as to its effectiveness.

Senator JEFFORDS. Dr. Cortez.

Mr. CORTEZ. I agree that more information on the effectiveness of categorical programs would lend some good insights as to where the emphasis should be in the future. I agree that the results would probably be mixed, and that from data we have seen in the State of Texas and in the regions where we operate, there are pro-

grams that utilize these resources very effectively and produce very good results, and there are programs that do not.

However, I think we need to keep in mind that, as was pointed out by Senator Dodd, the Federal investment in education at the State level overall amounts to no more than 6 percent. So that for us to make judgments about the effectiveness of programs that provide very limited resources and that do not take into account the funding disparities that exist within States that affect the ability of school districts to deliver on those resources I think has to be taken into consideration.

Senator JEFFORDS. Thank you, Mr. Chairman.

Senator PELL. Thank you, Senator Jeffords.

Senator Dodd.

Senator DODD. Thank you very much, Mr. Chairman.

I thank the panelists for their very helpful testimony. I have a couple of observations and some questions. You always hesitate to talk about your own particular State or area, and there is nothing scientific about it, but I am always curious about where people want to see their tax dollars spent and often raise this question with constituency groups in my own State of Connecticut. Invariably, education comes out about at the top. Maybe there are exceptions from time to time given some peculiar circumstance that warrants attention, but by and large there seems to be a tremendous amount of at least initial support for the idea that this is one area where taxpayers believe their tax dollar investment makes some sense.

Now, they may break down once you go beyond that initial question, but I am always impressed by the public's response to those surveys. And I have been intrigued about asking people about this, would you be willing to support tax increase if it were a dedicated tax for education, such as a value-added tax, for instance, where it would be exclusively focused on improving the quality of education—and I would include Head Start. I am amazed at the response I get. Again, it is an easy enough question to ask, and it's easy to raise your hand in an audience, and I'm not sure I am prejudicing the answer because of the way I ask it, so I wouldn't want to rely on it as terribly scientific. But I am sort of impressed by the positive response people seem to give in we know, particularly these days, there is vehement opposition to any suggestion of a tax increase on anything. But when we ask and link it to being dedicated to education, I find the response pretty strong.

So I think there is a lot of room to do something in this area, provided it is not just, as you pointed out, Dr. Benson, just dumping money in without talking about reform or changing the structure of the system. If you didn't insist on change then I think the investment would be a total waste of money, and whether people might support it initially, I think they would be terribly disappointed in the results.

I'd like to focus on a group that hasn't received a lot of attention here today in this discussion, not because we don't think it is important, but it just hasn't come up yet, and that is parents. We have talked about the various roles of teachers, administrators, the Federal Government, the State and local and so forth. Yet, I find the correlation between parental involvement and the quality of

schools one of the strongest. It is the old "squeaky wheel" theory—we are looking at several factors: first, the parents themselves may be children, or just out of their teens; second, they may have dropped out of school in many cases and so did not have a positive experience themselves in an educational environment and are therefore very reluctant to step back into school even as parents. And particularly in our minority community there is another factor to consider. In my memory, certainly, members of the minority community clearly had a ceiling on what their opportunities were, despite a good education. So transmitting to their own children the idea that there is an economic opportunity associated with education is something they may accept theoretically, but in terms of their own practical experiences, there has been no correlation between education and economic advancement. And we are looking at this issue barely a generation away from that experience.

So I would be curious as to your response to those three points, and of course, to the underlying question of how do you increase parental involvement; how do you get parents, particularly in our urban and poor rural areas, to be excited about education and to see it as important in terms of their own children's economic opportunities? What stuns me is that I am seeing private businesses promote sneakers and do tremendously well, or jackets or caps or whatever, and they are able to penetrate those communities in terms of their marketing ideas. Why haven't we done a better job at marketing education in these communities? If we can market a pair of Nike sneakers, we ought to be able to market having your kids stay in school and become involved. Why aren't we doing a better job of that? Why aren't we reaching those parents?

Let me begin with you, Dr. Cortez.

Mr. CORTEZ. Let me first say that we would whole-heartedly agree with you, Senator, that parental involvement is a key element of school success, and all the research we have seen and conducted reinforces that view. But I want to emphasize that what works with minority parents may be a little bit different than the traditional approaches that might be used with middle income, educated individuals who may have more positive past experiences with school systems.

The key point we want to make in terms of parental involvement is that it has to be meaningful, it has to be relevant, it has to use approaches that take into consideration the cultural characteristics, the linguistic characteristics, the economic realities of minority communities, and structure parental involvement opportunities in ways that enable minority parents to meaningfully participate in their children's education.

Senator DODD. Do you agree or disagree with the points I made about having their own bad experiences in the education environment, and second, beyond the theoretical appreciation, not having any practical experience in their own lives about their own level of education and economic performance.

Mr. CORTEZ. We agree that there is that experience, and there is the realization that sometimes education does not provide all of the keys to success. However, in our conversations with minority communities, there is a firm, unyielding conviction that education is the key to their children's future. And despite negative experi-

ences and despite having experienced glass ceilings in jobs, they still believe that education is the way out of the barrio or the ghetto and into the mainstream.

I believe what happens, Senator, is that schools, because of their inability, or sometimes unwillingness, to adapt to the needs of the minority community really miss a tremendous opportunity to involve parents not only in areas of curriculum reform and mentoring and tutoring programs and the like, but also in being at the forefront of issues like school finance equalization.

In Texas, we were very fortunate that one of the most outspoken advocates for school finance equalization was a community-based organization, originally Communities Organized for Public Services, based in San Antonio, which is a grassroots organization of everyday people, took this issue on as the most important issue that that organization could support. And that organization and its sister groups of the Industrial Areas Foundation in Texas have been one of the key elements to keeping school finance equalization at the top of the State agenda.

Senator DODD. Dr. Berne.

Mr. BERNE. I just want to say I agree with Dr. Cortez, and I want to add a couple points. I spent 2 years recently looking at the school governance system in New York City. Maybe if there is a more intractable problem than school finance in the country, it is the school governance system in New York. But as a result of that process, I had the opportunity to hold hearings and move throughout a number of schools in New York City, and I came to the conclusion quite simply that parents are not welcome in New York City Schools. It is the rare exception where a parent would be literally welcome in a school. And I think this gets back to the point that was made with the previous panel.

We need to think about a professional development model for teachers that recognizes the role of parents and doesn't treat it as a "we-they," or "us-them" advocacy relationship. Parents were perfectly well invited to keep track of the kids during the lunch hour so the teachers could get a break. If you want to talk about class size, or if you want to talk about why my child was in a special program, or why a particular school was doing it this way, the parents were shown the exit door.

So we have a serious problem, at least in urban areas, about how parents can get involved, and I think that in some ways, it reflects the fact that the public school system may be on its last chance here. There are a lot of advocates out there who want to move away from the public school system, who want to break it up, who say they have had their chance, and they have perhaps blown it.

Senator DODD. You are dead right on that.

Mr. BERNE. It is this "circle the wagons" mentality in some cases on the part of professionals that in some ways will break apart that system, not by reform, but by moving to another system.

Again I return to the Head Start model, where the professionals in the Head Start program view parents and children as the clients, plain and simple; they are both clients of the program. And the parent involvement is a foreign word to Head Start professionals, because it is part of the way they do business. But it is a different climate in public schools.

Senator DODD. That's a very good point. In the hearing we held the other day on Head Start quality, our witnesses were parents who had been volunteers who ended up becoming permanent staff. There are a lot of relationships that develop there. That's a very good point.

Yes, Dr. Benson.

Mr. BENSON. Senator Dodd, just to comment on one piece of research with which I am familiar, the nature of the interaction between parents and teachers was studied in two classrooms in Pittsburgh, CA, one classroom of children from very poor families, and this was compared with a classroom in Piedmont, CA, a very rich classrooms. These were both white classrooms.

Now, the lower-income parents on average tended to be very, very deferential to teachers. It was as if you have the knowledge, you know how to teach my child, and you do it—an attitude many people have toward their medical doctors.

Senator DODD. Toward their Senators, too.

Mr. BENSON. The richer parents tend to engage the teachers in a dialogue about their particular children and raise questions with the teachers such as why did you do this instead of that with regard to some specific problem.

Now, what this suggests to me is—this is picking up on the CBO notion—that it might be a good thing to encourage parents, and I think it would be especially nice if the lower-income parents responded, to make themselves groups and to approach the teachers in a group fashion rather than trying to handle this individually on their perceived shortcomings and raising questions of professional behavior.

Senator DODD. Good point.

Let me ask all three of you and take advantage of your presence here—our six national education goals are a new statement of Federal leadership. We are looking at $400 million a year for the legislation which implements these goals. I wonder if you would comment, since this is a matter that will be before the Senate, on whether this is a large enough incentive to get States to sign onto these voluntary goals that we are identifying in the legislation.

I don't know how many of you are familiar with this, but I presume most of you are.

Dr. Berne.

Mr. BERNE. It is hard to say that a specific $400 million amount is adequate or not. Again, consistent with my earlier testimony, the fact that the Federal Government is going to get into this in a serious way could have the potential to change the terms of the debate. And whether you agree with national testing or local testing or any of the specific goals, it is the seriousness and the commitment, the sustained effort in this area, that will make the Federal Government a player again. I focus less on the specifics because in some ways the Federal Government is a little bit too far removed to get into the classroom. But if they can help shape the debate in the professionalization of the teaching force or in the development of national standards or in school finance equity, then this in itself creates a new player in the game that for the last dozen years was dominated by States and localities, knowing that the Federal Government was not going to look over them.

So whether it is $400 million or $800 million, it is obviously a small amount in the total picture, but it is coming out of a process with some State-level input that gets the Federal Government back in the game, and I view that as the most important part of the whole thing.

Senator DODD. Do either of you want to comment on that at all or disagree?

Mr. BENSON. I think the response of the States will be uneven. I think some are ready to do it now and might do it without any Federal encouragement. I started out in economics, and back in those long ago days, there was something in the economic literature called the demonstration effect. When good things are shown to people, they start wanting them.

I think if one could so arrange that the leading States had opportunities to display their programs and what good comes of them to the other States, that that may be a way to go. In other words, instead of the Federal Government thinking of categorical programs as its main approach and fully funding those programs insofar as it can, the Federal Government's role may be to try to help States and localities build into the fabric of their system bright ideas.

And I think this process is helped along by relying upon progressive entities to encourage those who have some trouble initially understanding the idea.

Senator DODD. Dr. Cortez, I don't want to misquote you, but you've talked about a plan that would distribute finances at equal levels to all districts. You may want to clarify more what you mean by that. We have heard earlier testimony talking about using poverty numbers as a way of trying to distribute those dollars so that we are targeting those students who need help more than others.

You went through a referendum in Texas very recently, an unsuccessful one, I might point out——

Mr. CORTEZ. Three of them, all unsuccessful.

Senator DODD. Yes. I'd like you to clarify what you mean by that. Why not try to target those resources based on numbers——

Mr. CORTEZ. Let me clarify, Senator. We were not necessarily advocating the allocation of Federal funding in terms of equal dollars per student for every student across all States. That would be counterproductive in that we agree with the notion of targeting Federal dollars on the basis of some kind of need.

Now, to use a low-income student as a proxy for equalization may not be as effective as looking at the tax base available to educate children in school districts, and somehow or other weighting Federal funding on the basis of that State and district's ability to come up with equalized resources.

So again, we wouldn't necessarily target it on the basis of low-income students, but again, we would encourage you to look at the resource that are available within the school district and within the State and whether or not those are equal for students.

Senator DODD. How would that be different? I'm trying to think of a situation in which poverty statistics and resources in that school district would be somehow different, where your tax base has deteriorated, and yet the incomes of the people to be served would be higher. It seems to me we are talking about one and the same thing, aren't we?

Mr. CORTEZ. Not necessarily, Senator, at least as I understand it and as we have studied systems. You can and you possibly should consider the concentrations of low-income students as one of the criteria used to allocate Federal funding.

We know about the research that correlates the need for additional resources among lower-income communities. So there is no problem with that. But what we say is that if the base for generating money in many States is still the local property tax, you somehow or another in your formula need to take into account the ability of that community to generate resources for their children.

Senator DODD. All right. I understand.

Mr. CORTEZ. On the point of the $400 million, let me just observe that $400 million, frankly, with all due respect, would be a drop in the bucket. If we divide the $400 million by the 50 States, that amounts to about $8 million per State. And if we start subdividing the amount of that money among the 3 million children in Texas, that amount of commitment from the Federal Government would not do a whole lot to create school finance equalization.

I would agree with Dr. Benson that if, however, you use that same resource as an incentive mechanism to encourage States to achieve greater equalization, you will get a lot more bang for your buck.

Senator DODD. Dr. Berne.

Dr. Berne. If I could make one point that I don't think has been made in the course of these hearings, we have talked a lot about incentives. There seems to be a strange component of both Federal and State funding systems that sort of boggles the mind that it continues.

We understand that conditions like poverty can make it more difficult to achieve outcome levels, so we provide more resources. And then, if a school or a district has a good program and raises the scores of those children, in some of our programs, they are in danger of losing the money. Here, we are talking about using incentives, and yes, we are using incentives exactly the opposite way that they should be used. People who have a good program and move themselves up on those outcome scores are in danger of losing resources, which to me is exactly the opposite of what we'd like to do. So that if nothing else can come out of a changed Federal law, at least you can look at Chapter I and some of the other programs where in fact this effect is operating and try to remove it; try to develop incentives that encourage the outcomes that we all want to see.

Senator DODD. Let me ask one last question—and the chairman has been very patient—and then I'll submit some questions to you in writing.

Nowhere is it written in the Federal Constitution that I am aware of that elementary and secondary public education in this country has to be funded out of a property tax. To me, that seems to be the source of so much of the difficulty here. I suspect in Texas and other locales when this issue is raised, it is not so much that people who live in the suburban or the more affluent communities, are opposed to doing something about kids in San Antonio, Houston, Dallas, Hartford, Bridgeport or Providence it is this notion that; I am already pressed against the wall, I have watched my

property taxes go up on an annual basis. When will this end? Our own kids aren't getting enough, and now you are going to take my tax dollar and dump it somewhere else. It is this tremendous sense of frustration about a lot of things you have talked about. So this continuing effort to raise the property tax, to lay the burden for addressing all of this on people who have worked hard, achieved a certain level of economic success that allows them to acquire a home in an area where there is a heightened degree of security and quality of life, is like fingernails on a blackboard, to put it mildly, to them.

And I am just wondering if we can't somehow get beyond that debate a bit, because I think there is a general willingness to support education. I think people have connected the dots and recognize that what happens to a kid in San Antonio, Dallas, Houston, Providence, Hartford does affect their future, does affect the economic success and well-being of this country. If in fact, statistically, we are going to have less than 1 percent of the new jobs in this country available in the next 5 years to people with less than a high school diploma and only about 18 percent of the jobs available to people with just a high school diploma, this country is going to be faced with a choice. We will either have to lower our standard of living significantly and compete with Third World countries, or we will have to educate our population and continue to provide the high-tech, high-skill, high-paying jobs that will lead us into the 21st centur as a successful Nation.

I think most people would clearly opt for the latter choice. But too often this leads us back to the concerns about taking it out of my pocket once again through a tax on my property. If we could somehow break through that particular question and start talking about a different funding scheme, I think we'd be in a much stronger position in terms of coming up with resources to meet these challenges.

Now, maybe I am wrong; maybe I am terribly naive on this. And you people are the professionals out there who deal with this every, single day, and in fact went through a referendum, am I totally offbase in that my general sense that that's where the opposition comes from?

Mr. BENSON. I think you are certainly correct, Senator, that the way the property tax is administered today is very harmful to education. Now, there are several ways to go. One, you already mentioned. I would myself be in favor of a dedicated Federal VAT for education and related services.

But there still is the matter of local taxation, and our experience in California would indicate that without the local districts having some voice in the level of support of schools, the total State-local revenue for schools falls.

So, are there ways to have local taxation without the property tax? Those States that have a State income tax could offer the localities the chance to specify a surtax on the State income tax collected through the same mechanism and refunded to the district. There could be a range of rates available to the district in that way.

There are also, I think, ways to improve the administration of the property tax to make it less noxious. One is to put the indus-

trial-commercial property on statewide taxation. This reduces some of these very large disparities among districts. And another way is—I think this was considered in Texas; I'm not sure whether it went in or not—but it is tax-based consolidation depending on the structure of the State, either countywide taxes or regionwide, some other kind of regional basis.

This, like statewide taxation, may reduce somewhat the willingness of people to vote school taxes, although I think not much, and in any case, one could offer a small local add-on in addition to the regional levy.

Senator DODD. I'd like to see some testimony or documentation or pieces that may have been written about those various ideas; if you know where any exist, I'd be interested in looking at them.

Mr. BENSON. The regionwide or metropolitan-wide taxation—Canada has this in some of their major cities. Also, to a certain extent, the Minneapolis-St. Paul area has had it. I am just faking this in that I have not concentrated on school finance now for some years, and I am not aware—I hope Dr. Berne is—of current articles about these things.

Senator DODD. Let me ask him. Dr. Berne?

Mr. BERNE. There is some work that is being done, although not as much as one would think given the tax limitation movement and the surveys of taxes that support your point 100 percent. The property tax is the least favored tax, and the property tax limitation movement has been a response to those rising property taxes.

Actually, there are some innovations that are trying to be worked in. Certain cities have tried moving form the property tax to the income tax. Actually, Governor Cuomo in New York this past year during the debates over school finance proposed that increments to taxation in individual districts come out of a county-wide income tax as opposed to a property tax. Now, since this was the first time that this was thrown into the debate, it obviously wasn't put into legislation, but it woke people up to the point you made, that how you raise the money is part of how you distribute it, and the two have to be linked.

Senator DODD. Yes, Dr. Cortez.

Mr. CORTEZ. Senator Dodd, you must have spent a lot of time in Texas given your demonstrated familiarity with the context. You are right that there is a lot of State-level, local-level hostility toward the level of property taxes being levied all over the State, and there is a growing frustration and disillusionment with the notion that that one source is being overburdened by not only the local schools, but many other governments that use it as their prime source of revenue.

The notion of a need to move away from property taxes, we totally agree with. Property does not, in the case of residences, for example, generate any income, so we understand the frustration of a homeowner at being taxed for a commodity which doesn't generate money for them. And the idea of encouraging States to move to alternative sources of revenue if the Federal Government could create some mechanisms for doing that, I think would really be a contribution to where we are trying to get.

Senator DODD. Particularly if we could show that we might actually be able to lower property taxes.

Mr. CORTEZ. Exactly.

Senator DODD. If you knew you were going to end up with a lower property tax as a result of some different funding scheme, I think you could generate some tremendous support for a different direction.

Mr. CORTEZ. The conversation in Texas seems to be in that direction, Senator, where individuals have indicated, and groups have indicated, that they would be willing to support some other kind of tax that would be dedicated to education in exchange for some type of proportional reduction in their local property tax.

It is given that for many years, at least in our part of the country, there has been a growing overdependence on that resource, and we need to really diversify our revenue options, or we are in for some real big problems. And part of the reason for that is that in Texas, as in many other parts of the country, some of our population is aging, and there are some mechanisms for limiting property taxes on some of our older citizens; however, in Texas and in many States, you don't really have effective what they call "circuit-breaker" mechanisms, which were mechanisms that were discussed and used in different parts of the country to limit the property tax burden on those citizens that had fixed incomes.

Senator DODD. And last, it goes to the point where we are now competing with each other as States. I am sure my Governor, and I have supported it with all due respect, will say, look, if you've got a business in San Antonio, we can offer you a better tax abatement program in Connecticut than they offer you in Texas. You come up and spend a few years in Connecticut, and you won't pay any property taxes. This kind of competition goes on all across the country, so that you end up pulling businesses and employment opportunities out of places on the promise you'll pay no taxes. Of course, when that happens, it puts a greater burden on the residential property tax owner, plus you have eliminated job opportunities so that people end up not being able to stay, and they can't move in some cases because opportunities don't exist—it kind of has a snowballing effect. And obviously, the poorest districts are the ones that re most adversely affected by that, particularly as we try to draw these businesses and employment opportunities into those areas sometimes on the promise they won't pay any tax to come in.

So it is one set of Federal policies working, with enterprise zones and the like in one direction, that are actually working against the whole notion under the present structure of supporting an educational system which is necessary for those new, modern businesses to exist. It is a clear example of the right and the left hands not knowing what they are doing in terms of common goals.

Well, I have taken too long, Mr. Chairman, and I apologize. It is a very interesting subject, and I thank you very much.

Senator PELL. Thank you very much. I think we are all guilty of exactly the same thing in each of our States, making these rash promises.

We thank you very much, Dr. Cortez, Dr. Berne and Dr. Benson, for being with us, and the hearing will be resumed tomorrow under the chairmanship of the Senator from Connecticut.

The subcommittee stands adjourned.

[Whereupon, at 4:32 p.m., the subcommittee was adjourned.]

HOW WE PAY FOR OUR SCHOOLS

TUESDAY, JULY 27, 1993

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES, OF
THE COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:23 a.m., in room SD–430, Dirksen Senate Office Building, Senator Dodd presiding.
Present: Senators Dodd, Simon, Wellstone, and Jeffords.

OPENING STATEMENT OF SENATOR DODD

Senator DODD. The subcommittee will come to order. Let me welcome everyone here today for a continuation of the subcommittee's hearing on an issue that is critical to our schools, our children, parents, for everyone, in fact, in this country, and that is the issue of school financing.

To some, school financing may seem somewhat removed from our children, an issue that on its face strikes one as much more likely to affect State bureaucrats rather than children. But yesterday's striking testimony, especially the slides presented by Dr. Landa Trentham of the conditions in some of Alabama's public schools, provides strong evidence of the critical impact of school financing on children.

School finance definitely affects children where there are no swings or slides in the playground; where the most up-to-date encyclopedia is from 1975, as we saw in those slides; in Texas where the wealthiest school district spends nearly 7 times what the poorest spends; or in Alabama where the average teacher purchases $500 to $700 of supplies out of his or her pocket each and every year.

These disparities exist in schools across the country, not just in Alabama or Texas. I can testify they exist in my home State of Connecticut. Certainly, many here would be shocked to see the conditions in some of Connecticut's schools, and I am sure that other members of this committee have had similar experiences in their own States.

Yet, we are asking more and more of our schools. We have defined new goals and we are working to set new standards and develop new assessments. But the assistance we offer is limited, at best.

States and localities are feeling the pressure from other sources as well. As anyone in politics knows, taxpayers are demanding lower taxes and greater efficiency in services at the State and local level. Schools are being asked to shoulder some of the problems of

the larger community that their students bring with them into the classroom—drugs, violence, poverty, hunger, and the list seems endless. States are being pressed in the courts with challenges of inequities in the schools.

It is clear in my mind that our schools are not meeting all of these challenges. How could they, in fact? It is probably too much to expect. In some communities, they do well; in others, they are struggling valiantly, and in some they are failing miserably and children are suffering.

I believe it is critical that we look at the challenges facing schools and at the bottom line of the resources we provide schools with which to meet these challenges. The Federal Government must, in my view, be a partner in this effort. I believe that means we must deal with the difficult issue of school finance and somehow provide our schools with the necessary resources.

With these hearings, we are beginning this critical process. Our witnesses today include Governor Roy Romer from Colorado, several expert witnesses, and several individuals, including Mr. Tom Jackson of the New Haven Board of Education, who face the inequities in our schools every single day. I appreciate our witnesses being here, and particularly the Governor of Colorado, who has had a strong interest in this subject matter for a long, long time and has accommodated us with his schedule.

I am going to announce that what we are going to do is hear from you, Governor, and then we are going to have a series of votes coming up shortly after 10:00. So I am going to recommend that we have our own opening statements, hear from the Governor, and then take a break until we finish those votes, come back, and begin the second panel.

I realize my colleagues have other scheduled appointments to meet, and so forth, and may not be able to be here for all of it, but we wanted to get you on, Governor, and hear not your views as well as the views of governors in general because you also can speak to how the National Governors' Association and others feel on this issue.

But before hearing from you, Governor, let me turn to my colleague from Vermont and colleague from Illinois for any opening comments they may have, and then we will hear from you.

OPENING STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. Thank you, Mr. Chairman. I have little to add to your opening statement. I would just like to emphasize again how important I believe it is in this stage in our country's history to refocus our national priorities.

In the past, we responded to the threats of foreign enemies and rallied our troops and our Nation behind what we believed were important causes. Today, we must rally around those same troops, our young people, and indeed our whole Nation, behind another cause. There is a new danger threatening the United States, the danger that our children are not learning the skills and the knowledge they will need to be successful in an increasingly competitive world, and with their future goes our future. I hope that we can take this opportunity to provide them with the best that the world has to offer.

The Federal Government only provides 6 percent of all the funds for elementary and secondary education in this country. We spend less than 2 percent of the Federal budget on what we consider a top priority. The Council for Education Funding suggests that in order to fully fund the education programs that we now have on the books, we would need to double our spending on education, not to mention the increases in funding that would be necessary to meet other needs, such as the needs of latchkey kids, etc.

I look forward to hearing more from the panels today and from Governor Romer about how we can take advantage of this golden opportunity to provide all children with a first-rate education.

Thank you, Mr. Chairman.

Senator DODD. Thank you very much, Senator.

Senator Simon.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. Thank you. I join in welcoming Governor Romer. I knew him when he was a State treasurer and was very much impressed by him then. I want to commend you, Mr. Chairman, for holding these hearings. There is basically nothing more important to the future of our country than this very basic question that basically undergirds the pre-college years.

I just issued a report yesterday. I went around and visited 18 Chicago schools primarily on the west and south side of Chicago, the poorer areas of Chicago. I took no reporters along with me just to really get a handle on what was happening. I found much that was encouraging, but also much that was discouraging. The reality is we are just not providing adequate resources.

When you have one school with 730 students and you have one half-time counselor in an area that is high with crime and drugs and everything else, you know we are just not doing the job that we ought to be doing. The Illinois statistics are not quite as grim as you mentioned in Connecticut. We have about a five-to-one ratio in terms of wealth, but when I see a student in a Chicago school with a workbook that someone already filled out the previous year, but they can't afford a new workbook, you know, something is wrong in this wealthy country.

It is very interesting that in Sweden they spend two to three times as much—they do not have the disparities of wealth and poverty that we have, but in Sweden they spend two to three times as much in the disadvantaged areas as in the more advantaged areas in terms of education. We do the opposite, and that just doesn't make sense. We are the only industrialized Nation that funds education on the basis of wealth, and I think we have to recognize that we are going to have to get away from that.

One final note. In order to get a little bit of a comparison—and I am not suggesting that my visits to Chicago schools were in-depth visits or I have an in-depth knowledge, but I also visited two schools in New York City. I don't suggest that New York City's schools don't have problems. Obviously, they do, but they spend on the average $2,400 more per pupil than Chicago schools, and the difference is very clear in terms of what is available.

We clearly have to make some changes. I recognize the resources of the Federal Government are limited, but somehow when we re-

authorize the Elementary and Secondary Education Act, we have to address this question of inequity in supporting our schools, and I commend you, Mr. Chairman, for holding this hearing.

Senator DODD. Thank you very much, Senator.

Senator Wellstone.

Senator WELLSTONE. Mr. Chairman, I understand we are trying to move along before the vote, and if I get started I will go on and on because I have a lot of strong views about this, I think, as do all of my colleagues. Why don't we just go ahead with the Governor.

Senator DODD. Thank you very much.

Senator SIMON. Governor Romer, that is the shortest statement I have ever heard from Senator Wellstone.

Senator JEFFORDS. This is an olympic moment.

Senator WELLSTONE. I am trying to be nice. I don't need to hear from Jeffords over here. [Laughter.]

Senator DODD. Roy, we thank you for being with us, and let the record reflect, obviously, Governor from the State of Colorado since 1987, on the panel that set the national goals. In fact, you are meeting later this morning, I gather, on that very subject matter.

Governor ROMER. Yes, that is right.

Senator DODD. So, again, we thank you for coming before us.

STATEMENT OF HON. ROY ROMER, GOVERNOR, STATE OF COLORADO, BOULDER, CO, ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION

Governor ROMER. I am really pleased to be here. I have a written statement on behalf of the 50 governors, and the last two pages are a succinct summary of what you can do within the present system. I would like to talk to you about some solutions, and I have to speak about them personally because I can't talk about them from the other 49 governors, but I want to get to the heart of the matter. So if you don't mind, let me dive in.

Senator DODD. Absolutely.

Governor ROMER. I have lived with this problem a lot. Last election, I went to the people to raise a one-cent sales tax for schools in Colorado and I lost it. So I have been here in a whole host of ways in terms of finance acts locally, trying to raise additional revenue, and I have thought about it a lot.

Let me say to you I think that we need to think very basically in three areas. One, we have got the wrong tax base in this country. We inherited some traditional forms of taxing wealth and transactions that are past. For example, in the West—well, basically, country-wide we use real property tax, but the general revenues are income and sales. Sales tax is based upon the traditional buying of hoes and shovels and picks, and we put sales tax on it.

But we don't buy hoes and shovels and picks. What we buy is cable TV, and there is no sales tax on that. There is going to be a revolution in telecommunications in the next 5 years in which 500 channels come into the home. You are going to do marketing through the television. There is an absolute revolution in the change in which commerce is going to occur. Nobody is thinking about how you apply the appropriate tax base to that revolution.

So the first and fundamental thing I want to say to you is not just educational tax, but the whole tax base of the country is out of kilter and we need to have some very thorough realignment of it. So the first point is we do not have an inclusive enough tax base.

Second, we tax from the wrong jurisdictions. Let me use the factory outlet store as the illustration, or the Wal-Mart in a local community. You will have concentration of sales tax revenue go into a particular geographic location and it doesn't serve the people who shop in that location, so that is another problem.

Third, we have got a problem of competition between jurisdictions. Many States, or even jurisdictions within States, will not change their tax base because they will be whipsawed by business.

So I laid those out very quickly, but it is an inadequate and wrong tax base. We are collecting from the wrong jurisdictional descriptions and we have got a problem of business competing with jurisdictions and keeping them from making some changes they ought to do.

Solution? I think you need a national value-added tax. I think you need to go to some form of a national tax that is all-inclusive, and I use value-added simply because that is the most easy description, but it may not necessarily take that form. But if it were a national tax based upon transactions that are broad enough to include the new forms of commerce that would avoid jurisdictions competing for each other, and earmark it to education, that is step one.

Step two: The danger here, though, is to get the Federal Government micromanaging education. I am going through this very rapidly. I have just finished one thought pattern, and that is why you need to have a national tax and get it on the right equity base.

But then you turn into another discussion, and that is, is it safe for the Federal Government to begin to put this kind of money into education. Then you get into a whole new debate, and I really think that there is real danger of the Federal Government micromanaging education from the top down, a very real danger.

My current scheme would be, if you could get a value-added tax, don't ever let Congress appropriate it, but collect it and put it into a bin and then distribute it upon some prearranged formula with some factor of equity in it, but don't make it subject to annual appropriation. Maybe that is the barrier that you can put it so that you do not micromanage education in the country. But if you had a value-added tax, put it into a bin, have it then distributed automatically on a capitated basis with an equity factor, and that obviously takes legislation, but do not get into the annual appropriation point of it.

Now, why do I suggest that? I think that we need to have some help in financing education, but I think we need to be very, very careful not to begin to dictate educational policy from the top down.

Now, let me go back to the State level. We in government at all levels have got to reengineer. There are some very, very interesting things happening in private industry. You take any major corporation, they are reengineering; that is their word. Reinventing government—that is our word, and it is real.

The basic concept here is flattening the corporation, moving out to the people closest to the action, the decisionmakers, the ability to really deal with the work of the day and the product of their work. That, I think, has real sense. In Colorado we are trying to do that, trying to decentralize appropriately decisions in education. Therefore, even though I think we need assistance federally to finance education, I am very, very concerned about one size fits all.

Now, let me just turn directly to the issue on standards and opportunity to learn standards, which is a very current debate within these halls. We all know that we need to reach world-class standards. We all need to have higher performance levels, and we all know it is not fair to expect of that students unless they have an opportunity to learn.

But for us to begin to proscribe in detail what the opportunity to learn is for students in a local school or a State, I think, is dangerous. It is dangerous because Congress historically has not been able to resist micromanagement. Let me tell you as a governor from a State, we can improve the delivery of services to people by vast amounts if you would not micromanage as much as you do. Now, this may be direct language, but I share it with you.

So therefore, in summary, I believe we do need to have some innovative ways to get a broader tax base for education and to relieve some of the inequities of jurisdictions, but I think it ought to be done in a way in which you do not get Congress into the business of annual legislation and micromanagement of educational policy.

I would be happy to answer questions about any of that.

[The prepared statement of Governor Romer follows:]

PREPARED STATEMENT OF GOVERNOR ROY ROMER

INTRODUCTION

I pleased to have this opportunity to testify on behalf of the nation's Governors on the issue of school finance. You are beginning to examine critical issues that the states have struggled to address:

- How do we pay for our schools?
- How do we ensure the equal distribution of resources?
- How do we assure that funds are used to help all students achieve high standards?

Since states provide the largest share of support for elementary and secondary education, states bear a greater responsibility than ever before for providing answers to such important questions. Yet, the combination of weak state economies, voter resistance to new investment in education without reforms that include some form of accountability, and the intervention of the courts, has made the school finance issue all the more complicated. This tumultuous state issue clearly cannot be resolved simply by federal intervention. Within each state, the school finance debate is part of a larger discussion about the collection and allocation of revenue and the balance between state responsibility and local control of education.

The Governors are serious about their responsibility to improve the nation's education system for ALL students. This is part of our long-term commitment to achieving the nation's six education goals. Across the nation, Governors are leading education reform initiatives that will help all students meet the goals. School finance is one of the most highly political aspects of education reform. As some members of this committee have already stated, it is irresponsible to set high standards for all students without providing them the educational opportunity to meet such standards. The question is how will states and local school districts provide such opportunities. While there is a national consensus on the need for high educational standards for all students, there is not consensus on the respective federal, state and local roles in ensuring that all students have the opportunity to meet the standards. Clearly, school finance is only one aspect of this important debate.

HOW ARE SCHOOLS CURRENTLY FINANCED?

In 1990-91, overall funding for schools came from the federal government (6.2 percent) state government (48.3 percent) and local government (45.5) percent. The federal government targets the majority of its aid to disadvantaged students through the Chapter One program and provides some support for special student populations, such as children of migrant workers, bilingual students, and gifted and talented students, through categorical programs.

In most states, the majority of state education aid is distributed by formula to local school districts. The formula generally is based on a combination of three factors: local need, wealth, and local effort. "Local need" includes the number and tyke of students, teachers and school buildings within a district. "Wealth" looks at the value of property within a district and "local effort" takes into consideration local participation in school funding through property taxes. Such formula funds are designed to provide a minimum level of support that is often supplemented at the local level. Some states also provide categorical program support—usually on a per capita basis—to purchase textbooks, supplement teacher salaries, or to provide transportation services for students.

At the local level, most school districts turn to property taxes to finance schools. This is due in part, to the limited authority given by states to school boards to generate revenues. As early as the 1930s, it became evident that such heavy reliance on local property taxes to support education would produce serious fiscal inequities for schools. Aside from the inequities between districts with affluent homes and low-income housing, the location of high-value developments, such as shopping malls, provides revenue for the district in which the mall is located while diminishing revenue potential in the surrounding districts. In addition, property values are not a good indicator of income and, thus, ability to pay, especially in areas that have experienced high property value inflation that may have outpaced growth in incomes.

On a per-student basis, revenues generated by property taxes vary considerably among districts, with differences related both to local per pupil property wealth and average household income. Because they often require tax payer approval, such taxes also are highly susceptible to swings in voter attitudes toward new or higher revenues. Finally, school spending is not a priority for all voters. Elderly homeowners, whose children are no longer in school and who often live on fixed incomes, often are unwilling to support higher property taxes. The limitation on sources of revenues and the willingness of voters to support such revenues provide a difficult challenge for a community struggling to address equity concerns, improve their schools, and maintain local control.

HOW HAVE THE STATES RESPONDED TO LOCAL INEQUITIES IN FUNDING?

Over the past twenty years, states have responded to funding inequities in a variety of ways. Some have responded to challenges in the courts, while others have made changes to avoid court intervention entirely. As always, the approaches to support equalization vary by state but generally fall into the following categories:

- "Leveling up" to raise the level of revenue provided by states in districts that are least able to generate their own revenue.
- "Leveling down" to cap state spending for the wealthiest districts and then redistribute the excess revenue to poorer localities.
- Cutting state aid in proportion to a district's ability to pay for its own schools.
- Requiring that, where able, local government share in the cost of categorical programs currently paid for by the state.
- Eliminating or modifying those features of the state aid formula that disequalize resources among districts, such as aspects of the formula that do not fully recognize the full costs of providing an education to certain students such as higher transportation costs for students located in rural areas.
- Eliminating categorical programs for districts that can afford to pay for such services from local revenues.

These approaches have been applied in various combinations and have met with varying success across the states. Over time, some originally found to be acceptable have more recently been questioned in the courts. Today, approximately half of the states are involved with the courts on school equity issues. It is clear that each of these states have not yet found a fully acceptable and time-honored solution that meets the needs of their respective states. Part of the problem of working with the courts is that states are held to changing standards of equity. As the courts explore new tests of equity, states are working to meet these evolving standards. Only time will tell if states can resolve the school finance question to the satisfaction of the courts.

Despite these problems, states have had greater success in providing additional funding for schools than have either the federal or local governments. Due to significant increases in state funding during the past two decades, states have become the primary resource for school funding. Projected increases in enrollments and the demand for additional services at schools will place greater pressure on states to continue such increases. Finding the such resources will be difficult.

WHAT FACTORS ARE LIMITING STATE INVESTMENT IN SCHOOLS?

A number of factors, both internal and external, have made it especially difficult for states to increase spending or, in some cases, even maintain spending in education or other discretionary programs. At the same time, school enrollments are growing and a larger portion of the student population requires special and often more costly services.

State revenue systems depend on growth in the private sector to generate growth in government revenues. The recent recession restrained revenues and spending across the states and the rapid growth that has traditionally followed a recession is not expected in the 1990s. While in fiscal 1993, fewer states were forced to cut their enacted budgets, this was a result of more conservative revenue estimates, rather than improved state finances.

Problems in the economy also have dramatized problems in state and local tax systems. Such systems are designed to provide revenues through the production and sale of goods, but production and consumption are shifting from goods to services. In addition, higher proportions of wealth and property now are being held by the elderly, a group that is usually favored under tax policies. Increasingly business activity is becoming multistate and/or international, making it harder for states to fully capture revenues on such products or services.

Within the state, pressure to support activities other than education may create pressure to reallocate funds. Such activities include spending for new infrastructure; economic development efforts; and jobs programs—especially to increase the employability of welfare recipients. While popular with the voters, these initiatives require new spending.

Outside the state, federal mandates, especially in health care, are driving up state costs by increasing service requirements, increasing the number of program participants, and prescribing the amounts that providers of such services must be paid. As a result, Medicaid has grown like no other program in state budgets. Medicaid expenditures increased 19 percent in fiscal 1991, 28 percent in fiscal 1992 and is projected to continue to grow. Overall, Medicaid spending now consumes about 15 percent of state budgets.

Policies mandated by the courts are also increasing the costs of programs for states. In fiscal 1992, 40 states were under court order to relieve prison overcrowding or improve conditions. At the same time, more offenders were being convicted. Overall state spending on corrections grew 11.4 percent from 1990 to 1991 and is expected to continue to grow. While states are exploring alternative ways to deal with offenders, the public still wants most criminals to be incarcerated.

The combination of slow revenue growth, revenue systems not fully capturing revenue, and external spending mandates means that many states are facing structural deficits. That is, current revenues are insufficient to support existing programs and state constitutions do not permit deficit spending for such programs. Therefore any increases, including those for education, must come from existing programs or new revenues.

Faced with weak revenue growth, increased demands for government services, additional federal mandates, and growing public resistance to further tax increases, state are searching for ways to curb spending, while also improving effectiveness and accountability.

This comes at a time when the voters are calling for greater limits on taxes and other revenue increases. In my own state, the voters of Colorado eliminated the ability of the state to impose new taxes on residents without their prior approval. This is in part a response to growing voter concern about how governments spend their tax dollars.

SCHOOL FINANCE AND SCHOOL REFORM

School reform initiatives across the states clearly are a part of the overall effort to improve efficiency and accountability in state programs. Beginning in the 1970s states began to impose new accountability requirements on school districts and to provide additional dollars. This trend has continued as more states have adopted educational standards or curriculum frameworks as part of overall efforts to achieve the national education goals. The public seems more willing to support education

reform initiatives, including providing additional resources, when such programs are tailored to demonstrate an improvement in student performance.

This shift in focus to improving student educational performance has raised new questions for the school finance debate. If current reform efforts focus on how well students perform against the model state standards, is it appropriate to maintain a finance system that is driven by inputs?

While local control has always been one of the traditional principles underlying the school finance debate, can such local control be preserved in an era of state adopted standards and improved student outcomes? Indeed, in some states, such as New Jersey, the courts have declared that such control has already been assumed by the state. At the same time, local control of schools encourages strong community involvement, a key component in implementing reforms.

Many standards-based reform efforts target the school building as the unit appropriate for change and as the appropriate unit of accountability, yet state and federal formula drive funds to schools districts. As more states implement school-based reform strategies, is it appropriate to funnel all funds through school districts?

While historically the school finance debate has focused on how revenues were generated and distributed, Governors have expanded such discussions to a consider how school finance formulas can be used to ensure that all students are given the opportunity to achieve the standards. By broadening the discussion, new players have been brought to the table. Parents, teachers and education experts now have joined the debate and greater emphasis is being given to the importance of school reform as part of achieving equity.

In my own state of Colorado, the legislature is in the process of developing a new school finance act that would not only make the Colorado formula more equitable but would build on the educational standards bill that was passed in the last session.

THE FEDERAL ROLE IN SCHOOL FINANCE

Measured in dollars alone, the federal government has a limited role to play in influencing state and local finance structures. The federal government contributes $13 billion a year, compared to the $200 billion allocated by state and local governments. While small in size, the federal contribution is a critical one for the schools and students that participate in federal programs. Most federal funds are targeted at the nation's poorer districts. Given the current mechanisms for funding schools, it is unlikely that such funds would be fully replaced by state and local revenues should the federal government terminate programs such as Chapter One or to use such a program as a lever to force full equalization of district-level spending within states.

Other federal efforts to ensure access to students who might have a difficult time obtaining an education have placed a greater strain on state budgets. For instance, Congress gave all disabled children the right to an education under the Education for All Handicapped Act. However, Congress has appropriated enough funds to cover only about 8 percent of the expenses, although it originally agreed to fund 40 percent of the program.

Some argue that there is a greater role for the federal government to play as the nation moves to achieve the six national education goals. Other Western democracies that have a national curriculum and national assessments also have a national system to finance education. However, the current consensus supports a voluntary system of standards and assessments that is driven by the work of the states and, therefore, does not demand a federal system of finance.

Along the same lines, some have suggested that the federal government could influence state finance practices by prescribing a federal set of inputs or delivery standards that all schools should meet. Governors believe that it is the states' responsibility to create a delivery system that enables all students to achieve high standards. They view the federal role as helping states identify a range of policies and practices at the state level that encourage high achievement.

If such funds were available, the federal government could broaden its role in supporting disadvantaged students by providing a substantial increase in funding for schools that serve such students. However, as the Congress grapples with efforts to reduce the deficit, it is clear that such funds are not now and will not be available any time soon.

We believe that there is a limited but appropriate role for the federal government in the challenge to address the serious inequities that plague our school finance system.

- As Senators and as leaders in your states and communities, join the Governors in educating the public about the need to provide ALL students with the

opportunity to meet high educational standards. Recent research by the Public Agenda Foundation shows that most Americans want to return to traditional schools that resemble the "little red school house" of the nineteenth century. Such schools will not meet the educational needs of this nation in the twenty-first century1 yet the public does not see this as a problem in their own communities.

- Join with the states in reforming education programs to focus on improving school and student performance. As this committee begins consideration of the Elementary and Secondary Education Act, look for opportunities to move away from prescribing inputs and toward greater flexibility for states and schools in exchange for improved performance for all students. Provide incentives for states to implement outcome-based reform initiatives.
- Support the development of national content and performance standards to help the public understand what students need to know and be able to do in a globally competitive work force. Also support the development of a system of fair and valid assessments designed to help the public understand where our students rank today and to provide a clear path to assuring the achievement of the standards.
- Sponsor research on effective strategies to improve student and school performance. This should include work on alternative public school programs such as charter schools.
- Support the collection of comparable state-level data to help the public understand the nation's progress in raising student performance.
- Oppose federal mandates that limit states' ability to invest in education by diverting limited state funds.
- Work to improve the delivery of federal human services programs to children and their families. At the state level, Governors are working to provide integrated human services to students and their families at or near schools sites in an effort to reduce the burden on schools to provide or direct families to such services. Comparable programs should be developed at the federal level by combining funds from the Department of Education, Health and Human Services and Labor to provide a coordinated policy in support of children and their families.

CONCLUSION

The task before you is a difficult one. Governors have struggled to answer the many questions raised in the school finance debate and then have worked to implement equitable finance programs that meet the needs of our individual states. Through our efforts in standards-based school reform, we are working to ensure that all students have an opportunity to achieve high standards. With its current limited role and resources, the federal government has limited tools to help guide these efforts.

We welcome your participation in the school finance debate and look forward to working with you in the coming months to develop an appropriate role for the federal government that will help support the drive for equity and world-class quality in the states.

Senator DODD. Well, Governor, thank you very, very much for that, and I find myself in complete agreement with your comments. I have been surprised when I have brought this idea up with my constituents, how many would be willing to support a dedicated valued-added tax for improving education.

Now, we all know that whether it is Colorado, Connecticut or any other State, talking about increasing anybody's taxes doesn't meet with the warmest of receptions. Yet, I found a remarkably positive response because there is a deep appreciation of the importance of education. People have connected the dots; they understand it, and they are not just talking about their own kids. They understand that what happens in a Denver or a Hartford with these children is going to directly affect the incomes and security of their own children even if they are living in relative comfort and with prospects relatively high for their success.

So it is a question really of getting beyond this issue of how you build support for this to a question of how you then translate that

support into a financing scheme that will enjoy a broad-based political support in the country. I wonder if you would agree or care to comment on this, but I think that we are going to lose this whole battle very quickly if we don't address this issue very shortly.

The tremendous attraction of choice in schools, of private schools, of vouchers, and so forth—this isn't some conspiracy out there generated by some right-wing organization. These are legitimate concerns by average people over what they see as the failure of the public school system, and they will be damned if they are going to sit back and do nothing.

I think these issues get joined very quickly, and our failure to deal with this issue, I think, just drives us closer to the collapse of the public school educational system in this country.

Governor ROMER. Absolutely, and let me again warn everybody that these are my personal comments and not the 50 governors'.

Senator DODD. I understand.

Governor ROMER. You know, nobody would allow that from 50 governors. It is mine.

Let me say it is even a deeper problem, and you were hinting at it. What I have just described, you have got to put into the backdrop of people who have an increasing disaffection from government in cynicism about government. The Perot movement is a part of the expression of that.

Colorado has the healthiest economy of any of the 50 States right now, right at the top. Yet, last election our State adopted a tax limitation amendment, like California, except even more so, and it took away from legislative action all revenue-raising in the future. Everything about revenue now is a vote of the people. Even the changing of one small piece of the tax base has to go to a statewide vote.

Now, let me tell you, when you put this problem of the needs of education and other needs we have against an increasing conservative reaction of voters of, you know, I want less government, you have got a very, very serious problem. It is going to explode; it already has in California. It is going to do it in some other States. That is why, Senator, I believe that we are not giving a sufficient attention to this tax base issue in this country. We just are blind to it.

Let me just say, if I buy a book I pay sales tax. If I buy cable TV, which is the new substitute for books, I do not pay sales tax. Yet, you start making that argument in our respective States and immediately everybody says, well, if you do it, we will boycott you. That happened in Florida when you began to expand the sales tax base.

Now, there is another phenomenon I have got to lay on the table, and that is we have organized communities by splitting them in half. One governmental organization is the schools, the other is the municipality. I have thought very long and hard about why we did that, but we gave the schools the inadequate tax base, the real property. We gave the municipality the growing tax base, the sales tax. Again, you will find in many, many communities very nice-looking recreation centers and schools where the textbooks are worn out.

Senator DODD. I think one of the things we probably all should say, because I think the tendency is to say, well, there these guys go again, they are talking about new taxes and more money. I think this concern is very legitimate. But obviously reform is critically important—I mean, the idea that just more money is going to solve the problem is one idea I certainly don not subscribe to. I know you don't.

You have got to have some clear ideas of how you want to change the system. There is a significant debate over what that change ought to involve. Yesterday, we heard from witnesses, and I agree with them, about the quality of teaching. If you had to begin some place, I would certainly join with those who testified on that particular point as a major source of our difficulty today.

But defining equity is something that we are going to have to do as well. You have spent a lot of time on these issues. Do we define equity as being that each and every child in this country ought to be getting in each and every community basically the same amount of resources, or does equity get defined by saying that there ought to be an adequate amount of resources for at least some basic minimum, recognizing that certain areas are going to have more because we are not going to be able to divide the wealth and spread it around equally and leave it that way, necessarily? Which of the two goals should we be sort of going at, in your view, as you have looked at these issues?

Governor ROMER. We have to go at the equity issue and the reform issues simultaneously. Part of the reason we lost the vote in Colorado is people were saying, I think, honestly, Governor, we support schools, but go make them better and then we will pay for them, do the reform. So you have got to move with the reform at the same time you get additional resources to help you with the equity.

Let me say that there are two questions on the table. One, how do you define equity. You need to be very careful about it because there are greater needs in certain areas and there is greater capacity in certain areas. So most States formulas are aiming at equity by taking a definition of need, a definition of local capacity, filling the bottle with State resources.

I think we need to continue to allow States internally to make those decisions about equity. This is one of the tensions in my soul. I really don't believe we ought to give up on our ability to solve the equity question locally if we could get some help from the Federal Government in the resource area.

Let me turn to reform. We have got to do some very fundamental reform of the system. I will tell you one basic reform, and that is the 9-month school year, the 9-month contract. We simply are not efficiently using personnel or buildings or space or time by having youngsters in school only 9 months.

Teachers inevitably are going to compare their annual salary based upon 9 months, and many taxpayers are very on to that issue. I believe that you are not fundamentally ever going to compensate teachers right unless you get them on a 12-month contract. That grew out of a historical agricultural society, and that is one reform that is very difficult for this Nation to accept. I think it has to come.

But there is a series of reform steps that need to be taken simultaneous with equity, and let me give you the order in which I think it has to occur. One, standards; it has to begin there. If we don't know what we are trying to have a youngster learn and be able to do, you are never going to be able to get there. So I think we are on the right course by defining what is the content of an education.

The second step is, how good is good enough; it is the performance level. The third step, then, is the curriculum materials. You have to have curriculum materials that are related and aligned to those standards.

The fourth step is the training of teachers. Let us take the National Council of Teachers of Math standards. I do not believe they are used in more than 15 percent of the classrooms of America. Yet, they are the best in the world. The teachers are not trained to use those standards. So the fourth step is the training of teachers.

The fifth step is the reorganization of the school day and the structure of the school, the decentralization of it. The sixth step is the engagement of parents. We have got to more effectively engage in the community and parents and the business community into it, and there are some other steps along the way.

Now, obviously, finance and equity is one that kind of overshadows all of those. I can't put them in the order, but I say it is a very fundamental part that parallels all that. But if you don't do those reform steps simultaneous with the finance, people will not accept it.

There is a lot of energy in this country to do educational reform, but let me tell you, we need to do it like the skunk works at Lockheed. You need to send people off and give them some freedom. That is why we bought into charter schools. I had a very tough fight on charter schools in our State this year. The CEA, my local union, whom I am very close to, fought it hard. We finally got together at the end, but I bought into it because we have got to find some ways to experiment and do things differently. We have become so monolithic, so bureaucratic, so frozen in tradition that we simply cannot break through some of the changes that we need to make.

Senator DODD. Well, thanks very much. I don't argue at all with those standards. Let me turn to my colleagues here.

Senator Jeffords.

Senator JEFFORDS. Yes. I tend to agree with most everything you have said, although I do have some problems. I am troubled by asking this question because it is sort of the reverse of the normal question from a Republican who would be tending to agree with you. But I would be concerned if we are going to have a huge pot of money from a value-added tax—I would agree that if we go to any taxing for education, probably that is the best choice—without providing some incentives or some way to break the inertia which is prevelant in so many areas, as well as ensuring that we do not relive the mistakes of revenue sharing.

The purpose of revenue sharing, as I remember, was to do the very thing we are trying to do here, except there were no strings tied whatsoever and it got to be a swimming pool instead of a classroom and we ended up losing the whole thing. I fought very hard

at that time to try to rededicate it to education only, but lost that fight in the House, so I am concerned.

I understand what you are saying about micromanaging, but it seems to me if we don't have some incentives to knock down the inertia, which I find is one of the biggest problems we have—when we were trying to reform things in Vermont, you run into the school boards, you run into people who really don't want to change things. We are trying the school-to-work transitions now—just a tremendous inertia in the business community. So it seems to me you have to have some carrot-and-stick type of approach with that kind of money or else we could have a serious problem.

Governor ROMER. Senator, I think you are correct. I recognize the gap in my logic as I laid this out because I don't think you can take that and give it to a State that has the gross inequities that some States now have between urban and suburban kids. You just couldn't allow it, but maybe we could devise a way in which a State could qualify to receive their funds without it being mandated in law. Maybe there is a commission approval of some kind.

I will tell you what I want to try to avoid is that in the old Title I program, in the new ADA law—I mean, they are so proscriptive, it just doesn't make a lot of sense, and there is lot of inefficiency in government because we are doing these proscriptive things.

Before the hearing began, we talked here about the British primary school experiment, which in Denver we are trying to move into the public schools. It was a fight, it was a war because it didn't fit the system. It is a wonderful, inventive, creative way to do education. But, you see, there it was the micromanagement of a local school district that we were fighting.

So what I am concerned about is I don't want to get national education into such rigid frameworks that you can't really do the experimentation, the flexibility, the site-based decisions that need to be made. I think you are correct in criticizing my suggestion of none at all. We need to find some appropriate criteria so that it would be done well.

Also, I think if you do that, you need to do it as a substitute for some other form of tax relief locally, or else you cannot get political support for it. It cannot be just added on. People are saying, look, you can't just add another 50 percent to education costs; we won't tolerate it; what we want you to do is to do a better job with what you have got, then we will add some increment. Now, frankly, I personally believe you need 50 percent added on, but I am a practical person and know you can't get there from here.

Senator JEFFORDS. I am not so sure that if we redirect our priorities—we can't do it overnight, but it seems to me that we have to recognize the importance of education is such that we have to provide the resources in order to do it, but we have to do it in a way which manages the resources properly.

What I worry about right now in the Congress is that we have been so pressured in the deficit situation that we do not recognize that this may be the only time in our history—as we look toward the future, we will be reordering priorities and we don't just try to keep downsizing everything we have and not reordering the priorities in order to provide the resources necessary for such things as important as education.

Governor ROMER. I would like to say just politically I have been thinking about how you could get this movement going. You have got to remove the barriers. One of the barriers is we don't want to have a federalized educational system. So if you can get it so that you are not going to federalize it and people really can believe that, then the next step is I think that we need to have some assistance—we being the 50 States and governors—to have some assistance to have a national dialogue on tax base because we are afraid to start it ourselves because other States will steal our customers, our business.

You see, if I begin to talk about a tax upon cable television, for example—we have got the cable headquarters of the world in Colorado. Do you follow? Then everybody says, hey, Romer, we will move to Wyoming. So if you begin to give everybody a cover and say there is a way in which we can talk about this together in which we don't lose from it—and I hope the press is not covering this hearing today.

Senator DODD. There are some people over at that table. I don't know what they are doing. [Laughter.]

Senator JEFFORDS. It is a difficult area, but what I am saying as far as reordering priorities is, for instance, right now we are downsizing the military and reducing the opportunity for young people. We have about 100,000 already who did get a pretty good educational experience, especially for some of those that had problems, in the military. That is about $2 billion a year we have cut there.

Yet, we are having a problem right now in getting anything appropriated for a national service program. But it seems to me that when we start cutting back educational opportunities, we shouldn't just do that all with the deficit. We should try to take some of those savings and put them back into education, rather than losing a whole 100,000 opportunity for the sake of the deficit, and create a worse educational problem. So I think we have to reorder our priorities both sensibly from the perspective of cutting back and also look at a new revenue source

Governor ROMER. Let me get to another theoretical point. I have thought about this for some time. One of the real arguments for you to get this funding on the Federal level is the following. Most national policy is made by people who run for national office, and when you are running for national office you have your constituencies which are competing for your energy, and the aged are there, or the elderly. The military is there, Western reclamation projects are there, health is there, but education is not there because it is, quote, "not your business." You only do 6 percent.

So, quite frankly, in the priority allocation on a national basis education has never really fairly had its day because, quote, "it was a local matter." If you get it to be a Federal matter with the appropriate kind of restraints on how you manage it, then I think we will have a better allocation of resources nationally.

Now, one other thing. When you run for national office, because you are interested in education and you know the mainstream if local, what you do is you keep adding on on the edges. You know, there are special programs here and there, like Title I. I would

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much prefer we begin to focus back into the central core of it because that is where real reform needs to occur.

So if you can really solve this problem by bringing in appropriate Federal assistance to the table without usurping local decisionmaking that is appropriately local, that then, I think, is the key politically and also substantively to your solution.

Before I leave, I would like to have you and Congress help us get some national forum where we can begin to talk about this tax base where we won't be hung out to dry one by one. As you well know, I am willing to talk about it right now, but I need cover.

Senator DODD. Well, this isn't just a 2-day effort. Our hope is to take these hearings and to go with them around the country, trying not only to learn, but to develop some support for some of the ideas you have suggested here this morning.

I think we are late doing this, frankly, but we can't wait any longer. This is not a theoretical debate and discussion that will have to be addressed at some future date. If we don't address it now, I think the underpinnings for support in this country for public education as we know will continue collapsing by the hour, and I think this will be a fruitless debate in another year or two.

Governor ROMER. You see, what has happened here is I have been forced as a governor to spend money on prisons because the courts made me. I am forced to spend money on municipal water systems because the Congress made me. Do you follow? All kinds of things are coming down like that.

I, at night, dream about how I can get sued in education, you see, so that I can—that is a crazy way to make government decisions work, and so we need a more rational way to go at it.

Senator DODD. Senator Simon.

Senator SIMON. I could not agree with you more as I listened to you, Governor, you are a national resource yourself, and I just hope that the President and Secretary Riley and everyone else takes advantage of your expertise as much as possible.

Let me just do a little probing because I find this a very significant session. What if the Federal Government gives "x" number of dollars—and this goes a little contrary to what you were suggesting earlier—we give "x" number of dollars to every State for each student in grades K–12. Areas that have above a 50-percent poverty level would get twice as much, whatever is collected by a VAT.

There was a story in the Chicago Sun Times the other day about this, comparing a Chicago suburban school with a 2-percent poverty level and the Chicago schools with an overwhelming poverty level. If they get the same number of dollars, you still have an inequity factor.

Now, we have compounded it by giving that rich suburban school district more money per pupil and less to the school with the great needs. Are we getting too much into micromanaging if we——

Governor ROMER. No, no. I understand that movement. That is not the kind of micromanagement that worries me. That is okay, and that would an appropriate way to go. Let me say in Colorado, you see, we pay the highest amount per student to the lowest area. We have our districts categorized in five, six areas, and so the area that gets the highest per-student payment is the core inner city of Denver, so we have already done that.

But I understand the thing you are attacking, and that is appropriate. I think that there is such disparity that you need to do that. To make money available like that is not the kind of micromanagement that worries me. What worries me is the micromanagement that gives it out on a Title I that says you have got to categorize it, you have got to put it over here, nobody can use these chairs but that group. Then you begin to screw up a system.

Senator SIMON. Let me take micromanaging one step further because you have already referred to this other problem. We go to school an average of 180 days a year; Japan, 243; Germany, 240. I can go on with the statistics; you know them. The theory is so our kids can get out and harvest the crops. I live at Route 1, Makanda, Illinois, population 402. Even our kids aren't out harvesting the crops in rural southern Illinois.

What if, as part of this, we said schools that offer at least 210, or whatever the figure is, get a 10-percent increment? Are we slipping down the wrong path?

Governor ROMER. Yes. I like the path, I like the path. You see, I believe we need to move that way, but let me say I, like you, have to compromise theory with practice. I think that if you had some incentives, I don't think you ought to mandate that you can't get Federal funds unless you buy our number of days. That is too far, but you could have some incentive in a program.

Senator SIMON. A little carrot?

Governor ROMER. That is right, a strong carrot, a very strong carrot. You see, I have been thinking about this same problem, Senator, as we work into the health care thing. You know, I have been working hard on the health care business, and you are going to have to come with us with a maintenance of effort, you know, and some Federal program on top and some global budget. You are going to have to then make the decision who takes the consequence if you don't stay within the budget, and then again we are going to have to get into that shared responsibility.

So I think there is something in the equity area that we also can share. There has got to be a solution where you give us incentives. You use the carrot and the stick appropriately, but you have got to be very careful about the reach-out with the assumption that one size fits all. That is what is dangerous.

Senator SIMON. Finally, because I want to get Senator Wellstone in on this questioning before we vote here, have you done any calculations of, if we were to have a VAT, how much per pupil we would end up getting? I haven't seen anything on this.

Governor ROMER. I have not done the calculations. Let me get one other tax problem on the table; it is very serious. You try to take a person off of welfare on to a job; you have got a jump of 15 percent Social Security, plus a 12-percent health benefit. You know, you have got a 27-percent jump to bring somebody off of, quote, "welfare" to get an employer to hire them.

So employers look at that and say, my God, I will buy a machine. We are going very much more into automation because of that payroll tax, and I think that is a very serious tax policy issue in this country, also, because as we continue to make payroll taxes pay health care and all the Social Security costs, it makes us, as em-

ployers, want to use machines rather than people. I think you are going to have a healthy economy and a very large group of unemployed.

Now, there again is a tax-based problem that ought to be attacked, and there are different ways in which we can support some of that other than, quote, "payroll taxes." I just want to add that one in before the day ends.

Senator SIMON. For the first time, I differ with you a little bit here.

Governor ROMER. All right.

Senator SIMON. This is digressing, but what you do with that machine is you add to productivity. What we haven't done is then train that work force and create jobs and have, frankly, some kind of a WPA program for those who fall through the safety net.

Governor ROMER. Let me come to one thing. I like machines and people to compete on an even playing field, and you don't charge that 27-percent tax on the machine and you do on the person.

Senator SIMON. All right. I will yield to my colleague.

Senator DODD. By the way, we have got an expert on the VAT this afternoon, Henry Aaron, not the same Henry Aaron that——

Senator SIMON. I understand, from Brookings.

Senator DODD. That is a bat, this is a VAT. [Laughter.]

Senator WELLSTONE. Well, thank you. Well, Governor, we are going to vote, so let me try and be relatively brief. A couple of points. One is I wanted to follow up on the comments of Senator Dodd. I actually think that the genesis of these hearings is that we were having a discussion about Education Goals 2000 and opportunity to learn standards, and there were a number of us who started zeroing in on the equity question and I think at that point in time we sort of made a commitment that now is the time, as Senator Dodd has said.

I think when you were talking about a cover, I would really like for us to work together because I think we can begin to get a national focus and begin to get people talking about different ways of raising revenues so that a particular governor isn't put in the position of having people say, well, we will leave your State and go somewhere else. I think we ought to coordinate this. I think it is time; I think we have to do it now and I think we are all quite committed to that.

I was going to just ask you a couple of very quick questions. One, when we are talking about equity, however we define that—I don't know that we are quite clear on the operational definition of that—are we also talking about not just the question of disparity within States, but between States? We ought to be clear about that.

Governor ROMER. Yes, yes, and if I were to do the value-added I would have an equity adjustment in that distribution.

Senator WELLSTONE. Yes. I think that is important because I think we have been sort of focusing on within the State, but I think we have another issue, which is relative wealth versus relative poverty of States.

Second, I think I understand your distinction, and Senator Simon kind of zeroed in on this when you had initially said the Federal Government could maybe go to some kind of VAT, but then stay

out of the micromanagement. I think I now understand what you were saying.

I was thinking that on this basic question of who controls expenditures and equity, we have been deciding—and that is why we have so many court cases kind of challenging the disparity, but what you are talking about is more the decisions that go on about how to teach and how to learn and what happens there at the school. Is that correct?

Governor ROMER. Let me be very specific because on the opportunity to learn standards, for example, if you were to write opportunity to learn standards one of the first ones that is going to come to somebody is how many teachers in a classroom. We ought never to get into that at a Federal level because there are too many different ways in which you educate children. We ought not proscribe teacher-student ratios. That is the thing that is dangerous on micromanagement. Yet, there are principles of opportunity to learn that we clearly can agree upon, but we ought to not get over the line on that degree of specificity.

Senator WELLSTONE. Right. Well, I really think one of the best conservative critiques, and I don't always find myself in agreement with conservatives, has been on centralization and bureaucratization of policy. I think education is—you know, you want the action to be at the local community level.

Governor, what do you think of the proposal as we look at Elementary and Secondary Education Act reauthorization of trying to figure out not the stick, but the carrots whereby we might be able to put together a set of incentives, if you will, that have to do with maybe some tilting in the formula for allocation of money, maybe summer institutes where teachers can rejuvenate themselves, maybe circuit-rider principals and teachers who have been great teachers of the year and principals of the year who take a year off and travel?

You can sort of put that together and say those States that begin to move toward equity, this would be available; those States that don't, less. I mean, it wouldn't be the stick, but the carrot. What would you think of that?

Governor ROMER. I think that is very appropriate. I think that is very appropriate. Let me just say, do we need to have the nudge, the help, both the carrot and the nudge? Yes, we do. There is a lot of apathy out there, and I think that as a national Government education is the most important business of America and you can't leave it alone. You have got to find a way to apply your leverage in the most creative way that allows for the appropriate decision-making made at the local level. I would encourage you to think about equity in that way.

Senator WELLSTONE. I think we will, and I just would like to echo what Senator Simon said. I deeply appreciate your leadership in this area. I am honored you are here. I really appreciate what you have been trying to do.

Senator DODD. Thank you very much. Governor, we appreciate it immensely. We will stay in touch with you.

Governor ROMER. Thank you.

Senator DODD. The subcommittee will stand adjourned until, I will say 10:45, and it may be a few minutes after that. For those

of you who are part of our second panel, we have a series of votes here and rather than trying to run back and forth, we will just reconvene here about that time.

[Recess.]

Senator DODD. The subcommittee will come to order, and let me apologize. It was a half hour longer than I promised you it would be, but we ended up with one more vote than we thought we were going to have. Someone came up with what they call a motion to recommit with instructions, which is their right under the rules, and so we ended up spending a little more time over there than we anticipated. But I appreciate your willingness to wait and to be before us, and let me welcome you here.

Of course, Tom Jackson is well-known to us in Connecticut, a member of the Board of Education, and we thank you for coming down. I hope I pronounce this correct, Sedonia. How did I do?

Ms. WILLIAMSON. Fine.

Senator DODD. Close enough?

Ms. WILLIAMSON. Yes, that is close enough.

Senator DODD. Sedonia Williamson is a teacher at Douglas High School in Baltimore, MD, and I know Senator Mikulski would like to be here. Everyone is so busy with so many different committee hearings. I know she may try and get by, but I know she appreciates immensely your willingness to be before us today, as well, as we wrestle with the issue of school finance. So we thank both of you for coming. Tom, we appreciate you coming down from Connecticut and we will take your testimony.

By the way, any supporting information or data you would like us to have will be included in the record, and I would ask you to kind of keep an eye on the time. I am going to put this timer up here, it will go off at about 6 minutes and if you will just sort of try and wrap up at that point when the red light goes on, I would appreciate it, and I will apply that to all of our witnesses.

Tom.

STATEMENTS OF THOMAS C. JACKSON, MEMBER, BOARD OF EDUCATION, NEW HAVEN, CT.; AND SEDONIA WILLIAMSON, TEACHER, DOUGLAS HIGH SCHOOL, BALTIMORE, MD

Mr. JACKSON. Thank you, Mr. Chairman. Too often, the voices of urban children are not heard in discussions of school funding, and this morning I am honored to speak for the students of one of our elementary schools in New Haven, CT, one of the elementary schools in one of America's most impoverished urban centers. Their school, the Clinton Avenue School, is their place called hope.

Earlier this year, many of the students wrote to the President-Elect to tell him about their school, the Clinton Avenue School, and some of their needs and some of the hopes they have. I would like to share some of these letters with you now.

"Dear President Clinton, we need more books in our school. We need our own playroom. The school needs more computers. We need a pool. The walls need to be repaired. We need some rugs. We need a place to read. We need some windows and we need a hot breakfast." Signed, Jennifer Orr.

"My place of hope would include a new school with a library, a place where we can read. If we have library, I would be able to

read books. We need a full-time school nurse. Sometimes the kids in the school get sick and they need the nurse, so we need a nurse working 5 days, every day, from 8:00 to 2:15. Our school needs large windows so we can see out and see what is going on outside. We would love lockers to hang up things. We need a new rug. The rug is ripped up. We need one because when people come to see us, they are going to think we don't know how to take care of our school." "Sincerely, Michelle James."

"My place of hope includes a school park because we need some place to play. The park monkey bars are falling apart. You can fall and get hurt. In our classroom, the ceiling is falling apart piece by piece. The teacher needs more supplies because she doesn't have enough paper or crayons or pencils. The gym room mats are falling apart; some of them are cut. The office is so small you can't get in there." "Sincerely, Natalie Walker."

"My place of hope would include the school park because it is the only place we have to play. We need a hopscotch area, some swings, and maybe even monkey bars. We need a merry-go-round. The rugs are just about staying together. The teacher has to tape them together. I just want the school to be fixed right. We need more reading books because there is not enough to read, and we need a bathroom. My place of hope would include a library. I am the type of kid who loves to read. There are other children like me—definitely more thick chapter books. I also think there should be more classes so the teachers won't have such a hard time. I would like to have lockers to secure our things and more computers. They are fun and educational. Also, it would be nice if we had a place to play outside the school; if possible, a better lunch, then maybe I would be able to eat it. There should be a bathroom for the boys and the girls, and maybe even a bigger locker area in the gyms." That is from Cynthia Garcia.

Finally, from Tashante Reddick, "My place of hope would include an elevator for classes for handicapped kids. Do you get my point? It would be nice to have a school store for pens and pencils and crayons and sharpeners and erasers and other stuff. One thing that we need is a full-time nurse. The school right now only has a nurse 2 days a week. Sometimes people get sick and she is not there. It would be nice if you could make that change in kids' lives. If you can get a library, and also if we could have lockers or a locker room so people don't steal our things when we have gym—do you see my point? We also need two separate bathrooms, one for girls and another for boys. If you can, please help. We need these things in our lives."

These letters are from one of our schools which is a magnet school, a language magnet school, where we are trying to prepare children in a multicultural America, an America of the 21st century. But it is also a school that needs more than $1 million worth of repairs, and these aren't fancy repairs. These aren't repairs to bring the school to state-of-the-art status. We are talking about making it so that the roof doesn't leak and the masonry won't fall off the top of the school onto the kids. We are talking about taking the walls and fixing them so that the paint that is lead-based paint doesn't come off in the air and the asbestos doesn't fray.

For many of our children, the New Haven public schools are the place where they find hope. Yet, it is hard to be hopeful when rain leaks down through the roof and cold air blows through the windows or the furnace doesn't run. Much has been said about the need to reshape and revitalize both the American economy and our Nation's schools. Bringing urban schools up to code will be the first test of our national will to meet these grand goals.

Although we are the school board of an impoverished city, we suggest some new strategies for putting people back to work and one that can take effect quickly and pay dividends for decades. Our idea is simple: put Americans to work rebuilding our aging urban schools. Let us put people to work in sawing new windows and doors to make schools energy-efficient. Let us put people to work repairing roofs and masonry walls. Let us put people to work replastering and repainting so that our children are protected from environmental hazards like lead or asbestos.

We can all understand the need to build a new highway or to refurbish highways. Yet, for the cost of building one beltway around an urban center, many, if not most, of the urban schools in New England could be brought up to meet safety codes.

We can start rebuilding our schools quickly, putting people to work in less time than it takes to even design a major new interchange, and we can use apprentice and intern programs to teach our students the pride produced by a job well done.

But that is really only the first step, the first step of building schools that will keep the rain out and keep our kids secure. Then you have go to go on beyond that to the case of New Haven where, although we are the home of Yale University and nationally-known repertory theaters, we are also the seventh poorest city in the United States of America. We need some help and we need it now.

Thank you very much.

Senator DODD. Thank you very much, Tom. I will come back in a few minutes with some questions.

Ms. Williamson, thank you for being here.

Ms. WILLIAMSON. Thank you, Senator. I am very gratified to have this opportunity to testify before this committee about an issue that is very important to my school district, and I am sure many school districts in the Nation—the effects of school financing on the quality of education.

American public schools are in a crisis. Ten years after the publication of "A Nation at Risk," and despite many changes and some improvements, public education is still plagued by many complex problems. It is my belief that many of these problems are related to inadequate funding of public education. What children do today in school will decide much about our country in the 21st century.

If I were given an unlimited amount of financial resources to improve education, I would consider the problems in terms of the following categories: the classroom, the school, and the community. All, in my opinion, are inextricably interwoven and need remedies as they relate to our children and the future of this Nation.

Starting with the classroom, inadequate funding has an impact on class size, and class size has a direct effect on instruction. I would like to see funding provided to reduce class size to a maximum of 20 students for the regular program. That, of course, could

only be achieved through the hiring of more teachers, another economic consideration. Large classes impact time and attention teachers can direct to the students.

Effective classroom instruction is impeded by the lack of basic instructional materials. In my particular discipline, the lack of maps, globes, periodicals, transparencies, workbooks, charts and textbooks have a direct effect on what I can teach and how I can approach its instruction. The technology of computers are totally unavailable to my students, who today seem to learn best and fastest through audio and visual technology. Catalogs that come to me as a department chair find their way into the trash because I can never hope to be allocated money for many of the excellent resources available in the educational marketplace.

I would like to see money or funds available to give students of my American government class the opportunity to take field trips to the surrounding seats of government. I would like for them to see the State capital, the Nation's Capital, and the city council, and to see government in action. Funding for transportation and substitute teachers for field trips is unavailable in my school district. Additionally, I am strongly in favor of unlimited funding for the preschool programs and programs for kindergarten through grade 3.

The research of Robert Slavin of Johns Hopkins University maintains that by third grade children who have not been reached by the educational system are primed at risk for dropout. By the time the 6-year-old goes off to the first grade, much has already been decided. What the schools and parents do to help or hinder these children will have a great effect on what our Nation will look like in the next century.

For the reasons mentioned above, I strongly believe that in order for our Nation to survive economically in the next century and beyond, we must retool all of the stakeholders in education. That would include the classroom teacher and educational staff members, the parents, and the community.

The world has changed and our Nation's schools have not kept up. Improving our schools means improving teachers through staff development, conferences, seminars, and apprenticeship programs, to name a few. Funding is needed to release teachers from the classroom and to pay fees for many of the retooling programs. Funding for additional educational staff is a must.

I work in a school where the school librarian only works part-time in the school, causing the library to be closed to the student body at least 3 days on alternate weeks and 2 days on the other. Guidance counselors are overloaded with students, making it difficult, if not impossible, to address many of the students' problems. School psychologists, in my opinion, should be available on a daily basis. With society continually placing the burden on the schools to address many of its social ills, additional staff in this area is necessary.

The structure and power of schools and innovative programs to restructure schools have taken hold throughout the Nation. Site-based management allows for a collaborative effort between parents, teachers, and the community, and allows for consensus-building to decide policies of a particular school. It is a grand experi-

ment that has shown some promise of bringing our schools into the 21st century. Funding is a prerequisite for the restructuring program.

Finally, I would like to address the issue of the infrastructure. Funding is sorely needed to make the institutions of learning safe and conducive to the teaching methods of today. Many of our schools are in disrepair and outdated for the new methods of teaching using today's technology.

For many of our Nation's children, the school is often the only stable institution in their lives. Yet, they are forced to come to buildings that are often overcrowded, underequipped, and unsafe. The American Association of School Administrators found that 12 percent of the Nation's schools are inadequate for learning and that the price tag for deferred maintenance continues to climb rapidly.

Public education is faced with many difficult problems, while resources to deal with these problems are steadily declining. Schools across the Nation suffer because of the reduction in State aid and shortfalls in local property taxes. Programs have to be eliminated when innovation should be taking place. The actions of the Federal Government in reducing or eliminating fur ding assistance have aggravated these problems.

If America is going to be in the vanguard of the 21st century and above, it should take heed to an African proverb from Cameroon: he who fails to cultivate his fields will surely die. Our children and our schools are our fields in urgent need of cultivation.

Senator DODD. There is another great expression from Cameroon I have always loved and it says it takes a village to raise a child. I have always thought that was a wonderful saying.

We thank you both for your testimony, and you bring home the issues. We had Governor Romer here this morning, as I know you are aware, and we have talked to people who deal at the university level examining these questions. But I wanted to have someone from a school board and a teacher to get some people who actually on a daily basis wrestle with these problems to bring the issue home to people, and their consideration.

I just have a few questions for you. We again, appreciate your being here. Tom, you are familiar with the Comer schools, obviously. Why don't you take a minute, maybe, and describe what a Comer school is for the purposes of the record here?

Mr. JACKSON. The work of Dr. James Comer at the Yale Child Study Center evolves around consensus-building, using a school planning management team, or SPMT. The school planning management team is designed to bring together parents, teachers, administrators, custodians, everyone who works in the school, to make policy decisions within a framework established by the board of education.

They also will bring in school psychologists and mental health teams to try and help solve problems that are identified by the SPMT. Dr. Comer believes that on the middle and high school level, students should be involved in these programs as well.

Senator DODD. Jim Comer is a great friend of mine and I have a tremendously high regard for him. There is a wonderful book he wrote about his mother.

Mr. JACKSON. Maggie's American Dream.

Senator DODD. Yes, Maggie's American Dream. Everybody ought to read that. I mean, it will restore your faith and hope in what one family can do or what one individual can do with a family.

How have the Comer schools in New Haven been impacted by these problems with funding?

Mr. JACKSON. We are not able to provide the kind of support to the Comer system that it requires to be successful. We don't have the mental health teams that he calls for in place in our schools, and we are not able to field the kind of training that is necessary to teach people how to work together to build the consensus and to teach people the skills that are necessary and the parameters that are necessary to run a school under the Comer method. I think that is probably one of Dr. Comer's biggest disappointments, is the school system where he lives is not able to fulfill the promise that he developed in that system.

Senator DODD. I made the point yesterday, and it was reinforced by one of our witnesses—we all to one degree or another pay some attention, I suppose, to the recruiting efforts by college coaches and then professional teams, the draft, and so forth, that goes on. I am told that this is not uncommon with the teaching profession; that you get new teachers and there are ways in which you can determine who is apt to be a pretty good teacher and that stable, if you will, of teachers is recruited by various school systems.

How effective is, in your case, New Haven in attracting the best teachers, the ones you would like to have? Second, how successful are you in keeping them in the context of the physical plant and the deteriorating conditions? I spent 2 years in the Peace Corps and I loved it. I had a wonderful experience. If you had told me I was going to spend the rest of my life doing that, I would have had a more difficult time, I think, with it.

So when you are trying to get someone to commit to a professional career where the library, the facilities, the plant is just not in great shape and there is another school district that is offering you not only a better salary, but just a better environment, I certainly don't fault a teacher who wants to move in that direction. I don't consider them to be something less than committed because they decide they just have done enough. They get worn out, not to mention the physical threats and all the other problems associated with it.

Mr. JACKSON. We find it extremely difficult to attract qualified teachers and to retain them. Working in a classroom where the roof leaks and where the wind blows water through the windows because the putty has dried and fallen out makes it difficult. The lack of adequate teaching staff makes it difficult.

We have in most of our schools one or two art teachers or music teachers, where we should have twice that number. The burn-out factor, the lack of administrative support because we simply don't have enough people—we have one arts person in the downtown office for the entire city of New Haven. We are at risk of losing one of the best music teachers I have seen in a long time at the junior high level, at the middle school level, because we simply can't give him the kind of administrative support that he wants.

The Hart School of Music has offered him a position with a new doctoral program and there are two other school systems that are

after him, and he is saying, why should I stay here when you can't even arrange the schedule so I can teach anything other than general music. It is heartbreaking at times to see that.

Senator DODD. Let me take it one step further and then I am going to turn to my colleague. I want to keep this clock on us as well because I can have a tendency to wander on and forget how much time I am consuming.

Tell me about the parents who are taking their kids out of schools. I am saying a lot of these things and I don't know whether I am hitting the mark or not, but I don't believe there is a conspiracy out there to destroy the public school system in the country.

Mr. JACKSON. No, no.

Senator DODD. There are those who certainly may want to do that, but the increase in support for vouchers and giving parents the choice on parochial and private schools is not some major conspiracy. It is parents worried about their kids. How much erosion are we seeing?

Mr. JACKSON. It is phenomenal. More then 10 years ago now my family and I moved into New Haven, and we have seen virtually all of the people who moved in with that influx of young people who were trying to turn Fair Haven, our neighborhood, around—virtually all of them have moved out and their main reason for leaving is not the taxes or the crime or the stress of living in an urban environment. It is that they are afraid that they can't get their kids into the one or two good grade or middle or high schools that we have in the city, or that we are perceived as having in the city.

So there is a tremendous outflow of talent and just good people who are leaving to go to the suburbs. Frankly, when they get there I think they are finding the same problems exist, but just on a different scale. We are also seeing people going into private schools at an alarming rate.

Senator DODD. I would just be curious if anyone has pulled that data together. I would be interested in what has happened there. How many students are at Wilbur Cross High School, roughly?

Mr. JACKSON. About 1,400 right now.

Senator DODD. 1,400?

Mr. JACKSON. Yes.

Senator DODD. I was at Wilbur Cross recently. I have literally been in every public high school in the State in the last 10 years, and try to do one a week. Wilbur Cross was one of the last ones I got to before the school year ended. I was stunned. Correct me if I am wrong on this, but for the 1,400 students there were 30 computers at Wilbur Cross High School.

Mr. JACKSON. That is correct, and that is our good academic high school.

Senator DODD. I know that, yes. I mean, a computer to this generation is what a ballpoint pen was to us in our generation, basically, and here we are with 1,400 high school students and 30 computers.

Sadly, by the way, when I was meeting with a group of students, kids were lined up after school to practice on the few computers available. We were meeting in the library and I was talking to

them, and I could see over in the back and see the kids lined up to come in and try and get 15 or 20 minutes on that computer.

By the way, Cheshire High School, which is a suburban high school outside of New Haven, I might point out—certainly, not an affluent town, but much more affluent than New Haven. It has more computers, but it doesn't have them for everybody, so there is a disparity, but it is not that big.

Last, and then I am going to come back to Ms. Williamson and I want to turn to Senator Wellstone, I was just curious as to how aware students are about what is available to other students outside of, in this case, the New Haven area? How conscious they are, not necessarily of the athletic facilities. I know they may see the gym or the swimming pool or the track, and so forth, but how aware are they of the disparity in terms of what is available in terms of academic or instructional materials, quality of teachers, and the like? Is there an awareness of that?

Mr. JACKSON. Absolutely. The kids watch TV; they are aware of what is going on. They hold their own schools up to the measuring stick of what they see on television in other schools or what they see in public television, what they see on "90210." They know clearly that they are getting the short end of the stick, and you can see kids at Lincoln Bassett in the elementary grades who are enthusiastic and they are learning and they see the world before them. By the time they get to Troop Middle School, they look as though the best days of their lives are behind them, and they know that. The sad part, the tragic, heartbreaking part is that those Troop middle-schoolers are probably right that their best days are behind them.

Senator DODD. Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman. I think what I will do is just kind of build on the response from Mr. Jackson, but ask this question of both Mr. Jackson and Ms. Williamson.

The question that was put to you by Senator Dodd had to do with whether or not the children themselves are painfully aware of the conditions of the schools and the conditions that surround them versus what other kids might have, and you talked about how that kind of eagerness and spark for learning and all the rest, cold water gets poured on it by the time they are in middle school.

Some people argue that the real issue is what happens to the children before they get to school and what happens to the children when they leave the school, what happens to them in their homes and their neighborhoods. I mean, I know that there is a whole set of critical issues there, but I wonder how the two of you would respond to the argument that that is really what is at issue and that this sort of focus on equity financing and getting more resources into the school isn't really going to get at the fundamental problem.

I wonder, as two people who are centrally involved in education, how you would respond to that argument. Mind you, I didn't say that this was my argument, but I want to get this out on the table.

Mr. JACKSON. I would probably respond with an "expletive deleted." Anybody who believes that there is not a direct relationship between what we can do for kids in the schools and the amount of money we get is welcome to come and visit any one of our schools

in New Haven and then I will take them down to Westport and let them see what my brother's kids have in Westport.

I am not talking just about the field house in Westport that looks like it is for a private college in New England. I am talking about opportunities, I am talking about staffing levels, I am talking about faculty. At Wilbur Cross, they have one music teacher who does the band and the chorus. At Staples High School in Westport, CT, they have a band and an orchestra and three or four choruses. Now, that is just one clear example of the disparity between urban and suburban.

Yes, it is important what happens before school and what happens after school. Our kids are coming into the school system in kindergarten, and in some parts of our district 90 percent of them aren't ready to learn based on standardized testing and it goes downhill for those kids from there on.

Yes, we need to do more in terms of after-school programs so that the kid can come in with his parent for breakfast and the child can stay there through lunch and then have after-school programs, and maybe even have a dinner and adult education afterwards for the parent, with study hall or some activities for the kids. All that takes money.

We are really good at taking a very little bit of money and doing some really exceptional things for our kids, but we don't have enough to be exceptional for all our kids. We will set up a tour and I will personally escort them around because it is simply not true.

Senator WELLSTONE. Ms. Williamson.

Ms. WILLIAMSON. I would say that in my particular school, I would not say that our students are aware of the inequities in education if we would look at other surrounding school districts. However, they do see the school as a stable institution in their lives and many of them stay in the school very late in the afternoon for the programs that we are able to afford them. The school oftentimes acts as a more stable institution than their own families.

My school is located in an area of low socioeconomic structure. A large percentage of our children are on the lunch program. The community is troubled with drugs and crime, and yet these students still come to school hopeful that they can take part in the American dream.

I would agree, also, that we need before-school programs. I think we should have breakfast in the morning for these children, and nutritious, attractive lunches that the children will eat because for some of them the lunch is the most substantial, if not the only, meal of the day.

I would like to see after-school programs extended. A lot of these kids go home to empty homes. I would like to see them stay in school long after the school hours are over to make use of the facilities, the library, the gymnasium, with very structured programs in place for them.

Senator WELLSTONE. You know, it is interesting, Mr. Chairman. I know we have other panelists and I don't want to take more time. I just want to maybe finish with a comment, not even a question. We focus so much on early childhood development, and certainly Senator Dodd has been a leader in the Senate on this, and talk about how before children come to kindergarten level they have to

be ready to go. All too often, children, by the time they get to kindergarten, it is almost too late.

I found myself once at a high school in north Minneapolis talking about education with the students and really focusing on early childhood development, and this young woman who is—now that I think about it, she is a student at Howard University here in DC., but she was then a junior, I guess, at North High and she kind of confronted me and she said, you have been talking about early childhood development. I mean, I think there is a lot of evidence this is a key area.

She said, what about us? Are you kind of giving up on us? She was a junior. She said, is this triage? Are you just sort of saying it is too late for those of us in high school? I think that is, in part, the reason I asked this question. I don't know anybody that would deny that what happens at home, what happens in family and what happens in the neighborhood, and how your parents are doing economically and every other way affects a child. But I wouldn't want that to be a cop-out for not making the commitment of resources to education, which may be one of the ways that children can overcome that, if I understand what the two of you are saying.

Well, I know we are going to get back to some of the questions. I won't ask you questions about some of what Governor Romer had to say, and we are going to get back to the whole question of finance and where the Federal Government fits in. But I would thank the two of you very much for being here.

Mr. JACKSON. Well, thank you for your time.

Senator DODD. Thank you. I just wanted to give you, Ms. Williamson, a chance. I raised the questions with Mr. Jackson about teacher attitudes, student attitudes, and I wonder if you might comment. First of all, I should ask you, how long have you been teaching.

Ms. WILLIAMSON. Twenty-7 years.

Senator DODD. Good Lord. You must have been ten when you started.

Ms. WILLIAMSON. Exactly.

Senator DODD. How am I doing? That is pretty good. You wonder why I get elected. [Laughter.]

Mr. JACKSON. And reelected.

Senator DODD. My sister has taught about that same length of time, and I have a brother who is a professor as well, so I get lobbied a lot by educators along the way.

You are at the Douglas High School in Baltimore?

Ms. WILLIAMSON. Yes.

Senator DODD. And you have been there the whole time?

Ms. WILLIAMSON. No. I have been at Douglas since 1980. I started on the junior high school level. I taught in junior high for 14 years and I was promoted to department head at a junior high school, and then I was 2 years later moved to Douglas. So I have been to about seven different schools in Baltimore.

Senator DODD. Well, I wonder if you might just comment on some of the questions that I asked Mr. Jackson about student attitudes, teacher attitudes, and the like.

Ms. WILLIAMSON. Some of our students feel as though they have been forgotten. They compare our school to schools within their dis-

trict. I am not sure that they are that familiar with the schools outside of the district. We do have a very large school system surrounding us, Baltimore County.

They somehow feel that education in the county is superior to the education they receive in the city. Some of them know that there are inequities as far as what we get at our school compared to what other schools have. I make them aware; I tell them the problems involved in teaching because of the lack of materials.

A case in point is a particular State test that we give, the Maryland—well, we give several functional tests, and the test that I am responsible for monitoring in my school is the Maryland Test of Citizenship Skills. We have a course called American Government that we teach from September to January and the students are tested. It is a test that is required for graduation.

In Baltimore County, they give their students a workbook that the students can write in, parents can check, and the students have that resource right intact. What I have to do on a daily basis is to tear out pages and make dittos and punch holes and give my students these materials. I spend a lot of time in preparing materials, where I could spend time in doing more creative things for my children, and they are aware of these inequities.

They would like to go on field trips. They would like to do some of the things that they know other schools do. Some of them can't even afford to pay for a bus to come here to Washington, DC, but I don't think they have given up hope because they still come. When I think of some of the things that they have to do to get to school in the morning, it is amazing.

Many of them are on their own. Many of them are homeless, in a sense. Many of them are receiving social services. They are just inundated with a well stream of problems, but they still come and they have a hope to be able to take a part of the American dream.

Senator DODD. Let me ask you both something last here and then we will get to the next panel. I said this yesterday, but I would like to run it by you—and don't have any hesitancy in telling me that I am just dead wrong on this.

One of the questions I get all the time from students is, why should I stay in school, particularly in the urban schools in my State. You know, why should I stay in school? There is nothing out there for me when I get through here. The job opportunities, and so forth, are limited, and the like. You know, I go through the pitch, and so forth, of staying in school, which I won't bother you with.

I get a sense that the dropout rates are so staggeringly high in our urban areas. I mean, they are double and triple what they are in our suburban and rural schools, although rural I am not quite sure of, but certainly suburban schools. I have tried to think about why is this the case and a couple of things occur to me.

One is that you have parents of these children who in many cases left school themselves and have a sense of alienation about what school is. So they are not overly anxious to go to their children's school. They didn't really complete it themselves, so they don't sense the same degree of importance about it and certainly are not interested in getting involved..

Another factor to consider particularly in regard to the minority community, there was in the past a real ceiling on economic opportunities for minorities. The parents of these children experienced that, even though theoretically they know today that these opportunities are open to them and their children. There still is however that sense among parents that no matter how much you study, you are really not going to necessarily get a chance unless you are a star athlete or just academically brilliant somehow. But for the average kid, too many feel his/her opportunities are limited, and that notion continues to exist in the homes within our cities.

I have used this example where a sneaker company has been effective in marketing a $100 pair of sneakers in some of the poorest areas of this country. If you can sell Nike sneakers in the north end of Hartford, why can't I sell education? Why can't we do as good a job of promoting the notion within those communities that your child getting an education is going to be different than what existed for you because things have changed?

I may be, as I say, really wrong in my perception about what is going on in parents' minds in these communities, but I have got a feeling that that may be, in part, the case. As I say, tell me I am flat wrong on this, but if not tell me that, too.

Ms. WILLIAMSON. Well, I would agree with you when we talk about how sneaker companies and other things that attract young people can make inroads into certain communities, and I would say that is because those things are visible and a means a instant gratification. With education, it is a long process and then you are not sure of what is at the end of the road.

I agree that parental apathy has a great impact on our system. In my particular school, I would say in the 10 years—I have been at Douglas 13 years. I would dare say for the PTA meetings that I have attended, and I have only missed 2 and we have 4 a year, I haven't seen 100 parents, talked to 100 parents.0

Senator DODD. How many students are in your school?

Ms. WILLIAMSON. We have about 1,000 now. Enrollment has dropped. It has been larger.

Senator DODD. I am trying to get some sense of what the 100 means in the context of——

Ms. WILLIAMSON. OK. Well, let me say this. Last year, I only taught two classes. I had a total of about 60 kids, 60 students. In previous years, I have taught as many as 120 students a year, and yet I haven't seen, I would say, 100 parents. Parents don't come out for PTA meetings.

Senator DODD. In the total?

Ms. WILLIAMSON. In the total number of years I have been there. Parents will come in when there is a problem, if the student has been placed on removal, a discipline problem, but I don't think that parents feel a sense of empowerment in the schools. They don't feel a part of the school community, and I think that is something that we need to think about when I said that we need to retool all of the stakeholders in education, and that includes the parents. Parents need development, also, and have to be shown how they can be empowered. They should be running their schools, or taking a large part in running their schools.

Senator DODD. Do you make any effort to go to the parents' homes? I know they have tried that in some places because of this wall of the school and all the fears that get developed among parents. You go to outreach and you actually go knock on the door. Is that just asking too much?

Ms. WILLIAMSON. In 1965 when I started teaching, I did some of that, but I wouldn't do it now, and not in the community where I work. It is highly crime-ridden.

Senator DODD. Too dangerous?

Ms. WILLIAMSON. Very dangerous, yes. I wouldn't do that.

Mr. JACKSON. Senator, I think you are right on target. Things have changed dramatically in terms of the way we look at our schools. My favorite uncle used to be superintendent of schools up in Barre, VT, and in the 1950's and the 1960's and the 1970's when he was working there people might dicker about the budget, but they believed in education. Now, we are fighting a perception that the schools just don't work, and I think that is an accurate perception for far too many of our kids.

Kids, especially adolescents, are real sharp and if you say you are going to do "x" and then you don't do "x"—you know, if you say you are going to do "x" and if "x" has a consequence of "y," and it doesn't, then they are going to call you on that. If you say, as the Senate of the United States of America or as the President of the United States of America or the Congress of the United States of America, that education is important, that we want to be ready for the 21st century, that we want to compete effectively with foreign powers, and then nothing happens, then kids feel that they are worthless and that the system doesn't work.

One of Jim Comer's key points is that you have to share power. You have to share power with the parents, but in the middle and the high schools you also have to share power with the kids. I think that the kids are our secret weapon in revitalizing American schools.

Senator DODD. I agree with him, too. By the way, the usual criticism about Jim Comer is that he is too conservative.

Mr. JACKSON. Yes.

Senator DODD. I mean, he is not the darling of the left in educational circles. When he says include kids, I can see some people saying, oh, boy, there go these wacky ideas people have.

Mr. JACKSON. Well, just to speak as someone who is probably far to the left of Jim, and perhaps many other educators, I think we have a tremendous bureaucratic problem and school boards are part of it and administrations are part of it and teachers are part of it. We have a lot of great principals and teachers and kids and administrators in our school system, but we also have a lot of people who don't want to change.

What we need from this body is not only the money to change incentives and some special support, but also the levers to make change happen. There is a tremendous inertia in the system, and our board has been working for 2 years now. In the last couple of months, we have done a couple of things that are really exciting. We have put through a policy to prevent AIDS. We are moving to extend the school day and we are starting a new high school in co-

operation with a high school from Bath, ME, but this is just the tip of the iceberg of what needs to be done.

Senator DODD. Well, I am going to terminate this part of our testimony, but I live in a small town in Connecticut and we are now in the process of building a new high school. The old high school was built in the 1920's. We went through two referendums and couldn't get the support, until the high school kids went out and went door to door.

I would like to put it some other way and be delicate about it, but they embarrassed the town and basically said, if it was good enough for you to get a high school built, what am I; I can't get a decent high school? How am I supposed to do this? It reversed the outcome, not just narrowly, but big-time.

Your point about the real hidden asset in all of this is the students themselves—it can really make a difference in some of these areas, and that was just one little example where I saw a group of kids really make a difference.

Mr. JACKSON. It is a great example.

Senator DODD. And they did it by also raising money. They did a lot of other things to be a part of the solution, as well, because obviously we are talking about additional property taxes in town and people aren't overly excited about that option. But the kids made the telling argument, not the adults.

Jim, do you have any questions of this group?

Senator JEFFORDS. No, I don't. I just want to commend them. Unfortunately, we are in the midst of intense negotiations on the national service program. Hopefully, we have gotten through with that.

I just also would like to reiterate the difficulties with inertia, and I think you are quite right. In Vermont where we have been making a lot of changes, still the inertia in the school boards and the administrators and teachers is a real problem, but we are making headway.

Thank you very much for your testimony.

Senator DODD. You have both been terrific. I can't thank you enough for taking the time and being here. Tom, I will be back down again in the fall and I need to get to Hill House. I haven't been there in a while.

Mr. JACKSON. We would like to get to HSC, too, if you haven't been there.

Senator DODD. Absolutely, all right. I will do that.

Mr. JACKSON. Thank you.

Senator DODD. Thank you both.

Our next and last panel, and I will ask you to join us as I introduce you is Dr. Allan Odden—is that correct?

Mr. ODDEN. Odden.

Senator DODD. Odden. Dr. Odden is from the Center for Research in Education Finance, Los Angeles, CA.

Dr. Henry Aaron—doctor, you must hear more jokes about that—were you here when I talked about VAT and not bats? My colleagues said, you must have been up all night thinking about that one, but I came up with it right there on the spot.

Dr. Aaron is with the Brookings Institution here in Washington.

Douglas Chiappetta—how did I do, pretty well?

Mr. CHIAPPETTA. Very well. Thank you.

Senator DODD. Mr. Chiappetta is the internal manager of the Vermont Department of Education in Montpelier, and I would ask Jim to make any special comments he would like to.

Senator JEFFORDS. We are fortunate to have with us today Doug Chiappetta from the Vermont Department of Education to testify on the progress that our little State of Vermont has made in developing the opportunity to learn standards, which are very critical, as we know.

Mr. Chiappetta has been with the Vermont Department of Education 6 years and now serves as acting internal manager of School Development and Information. He has been an important member of the team of experts from Vermont who won a grant from the National Governors' Association to identify the conditions that should be present at all schools in all communities to ensure that all students have a genuine opportunity to learn.

I welcome you here, Doug, and it is a pleasure to have you here.

Mr. CHIAPPETTA. Thank you very much.

Senator DODD. For the purposes of the record and my colleagues here, Dr. Odden is one of the Nation's leading experts on school finance, and he is also professor of education policy at the University of Southern California. We really are grateful for your presence. Dr. Aaron is, as I mentioned, the director of the economic studies program at the Brookings Institution, but also is a public finance economist.

We are really interested in getting into what we have been talking about as, at least I have been, with a degree of ignorance, I suppose, about how this all might work. But I make no secret of the fact that I find a dedicated value-added tax as a very appealing option, not as the only way to deal with this issue because I think reform efforts are critically important before just talking about additional resources.

I am deeply grateful to have all three of you here. Dr. Odden, we will begin with you. Again, don't live by these lights religiously. They are more of a guide than anything else, so we will accept your testimony and any supporting data in evidence that all three of you would like to submit.

STATEMENTS OF ALLAN ODDEN, CENTER FOR RESEARCH IN EDUCATION FINANCE, UNIVERSITY OF SOUTHERN CALIFORNIA, LOS ANGELES, CA; HENRY J. AARON, DIRECTOR, ECONOMIC STUDIES PROGRAM, BROOKINGS INSTITUTION, WASHINGTON, DC; AND DOUG CHIAPPETTA, INTERNAL MANAGER, VERMONT DEPARTMENT OF EDUCATION, MONTPELIER, VT

Mr. ODDEN. Thank you very much. I am delighted to be here this morning. I would like to separate my comments into three sections: first, a few contextual comments, and then comments in six areas that lead me up to how I would suggest generally we think of redesigning school finance systems, and then I will make some specific suggestions in a semi-rank-ordered way for rethinking some Federal roles in education and education finance.

First, the contextual comments. I view school finance in a broad context, not just dollars and dollar disparities, but focused on how

we spend education dollars on education programs for the purpose of producing student achievement. This is somewhat broader than traditional school finance, so that is the background out of which I come.

I am going to make most of my comments in the context of our national education goals and a nationwide systemic education reform movement which is catching steam across the country, and the general gist is to try to think about how we redesign our finance system to reinforce the achievement of these high expectations in systemic reform.

The last contextual comment has to do with money, and if we look backwards over time the fact of the matter is that the country, on average, has put a lot of money into the schools in each decade. If you take the total money and divide it by the number of pupils and adjust it for inflation, money went up about 66 percent in the 1960's, about 25 percent in the 1970's and, depending on what numbers you use, between 35 and 48 percent in the 1980's. So at least historically money has been flowing into the education system, and that is despite all projections.

If we would go back and look at projections in the early 1980's, the projections were that money would be even. That would be the optimistic scenario, and we have put in 35 to 40 percent more money.

Senator JEFFORDS. This is per pupil?

Mr. ODDEN. It is per pupil after adjusting for inflation. Nobody knows what will actually happen in the 1990's. Time will tell, although the National Center for Education Statistics now projects a 43-percent increase over the next 10 years in real terms. So at one level, I think the issue is not just more money, but how we use the money that has been flowing in and likely will flow in in the next few years.

The second comment is in six areas. The first area is trends in litigation. I see three trends in litigation. No. 1, in the 1990's almost all the courts, when these decisions come before them, are overturning State school finance systems. The batting record in the 1970's and 1980's was about .330. In the 1990's it is about .900, so it looks like if you get a court case filed it is very likely that the system will be overturned.

Second, the trend of these decisions is to require equal spending per pupil across school districts. They would allow for extra spending for handicapped kids, for poor kids, low achievers, and extra spending depending on different prices of educational services. But for the base program before those adjustments, it looks like an equal spending standard seems to be emerging.

Third, there seems to be a focus, also, in an achievement standard. More and more, you see language pointing to the fact that kids need to learn a new, high level of cognitive capabilities through educational experiences, and that may be the ultimate test of whether the program is sufficient, as well as the financing system.

A second comment: this kind of evolving achievement standard in the court cases fits with our trend nationally in terms of the national goals which this President, the previous President and the governors have supported, and I think as Governor Romer suggested this morning. The goals generally are that all kids should

come to school ready to learn, which is a whole series of potential policies, and then that all children—and this is, I think, the big, new emphasis—should have mastery over challenging content matter. So it is not basic skills; it is higher-level thinking and problem-solving skills in the traditional content areas.

I would argue that if we could actually accomplish this objective, we would substantially move on the equity agenda because I think most concern for equity of fiscal inputs hopes that it would lead to equity in terms of student achievement. So the point here is there is a shift in education policy from inputs of the educational system to achievement; that is, what kids actually learn in schools.

Third, the reform strategy around which there seems to be a growing consensus is called systemic reform. Governor Romer, I think, outlined that. That posits outcomes as the ultimate objective. It matches with that high-quality curriculum standards; then a new high-quality assessment system that tells us the degree to which we are accomplishing those outcome standards; changes in teacher professional development, including standards for licensure and standards for advanced recognition; restructured governance and management, which I will talk about in a minute; and then a restructured finance system.

The fourth comment here on restructured organization and management: I think the strategy in systemic reform is to steer the system, direct it from the top in terms of identifying the goals and directions toward which everybody should be moving, and then decentralize implementation to the school site. I have enclosed in some materials that I had sent earlier information on what we know about how to put decentralized management in place, and there is a substantial research base in both the public and private sectors.

I detail that in other documents, and basically it means we have to decentralize information; knowledge, which is professional development and training; power over budget and personnel; and also a change in the reward system to begin paying people, including teachers, for knowledge and skills, and then as a group, as a faculty, to put some kind of group-based performance award in the system.

Now, if we begin taking these notions and begin redesigning a school finance system, I have several suggestions. No. 1, it has got to be set in the context of clear outcomes because if you don't know what the outcomes are, you can spend money in many different good ways and not accomplish the outcomes.

Second, think about financing schools rather than districts. We have given the money to districts. They allocate resources to schools, but this suggests that if we have the school as the implementation unit, we begin sending money directly to schools. Third, put more budget and personnel authority at the school sites, let them decide how to spend the money and let them hire and recruit teachers.

In terms of the specifics of the finance structure, it would be a three-part system: number one, a high, equal per-pupil base for the average kid across all schools, high enough to let the schools, on average, educate kids to these high achievement standards.

Second, there would be an add-on for kids from poverty backgrounds, and I think the price tag from a variety of other research would be about an extra $1 to $2,000 for that compensatory add-on; third, some kind of a price adjustment because the price of educational services vary across school districts.

Let me kind of quickly then jump to summarize quickly my suggestions for where the Federal Government might want to put new money into education, again, where the purpose is to accomplish these high levels of achievement.

The first area would be kind of around the readiness goal, and these are almost kind of recommendations for programs in HHS—a series of pre- and postnatal programs, the WIC program, fully funding Head Start, and working on more coordination of children's social services both before kids enter school as well as when they are in school.

Second, funding to facilitate the development of a series of standards; some of this has already been started. It could be extended—assistance to develop content standards, assistance to develop achievement standards in terms of new forms of testing, assistance to develop new kinds of opportunity to learn standards, as well as continued assistance, for example, to the National Board for Professional Teaching Standards to develop standards for teaching.

Third could be solidifying the historical Federal role in compensatory education, and one could argue that the Federal Government could think of fully funding this extra $1 to $2,000 add-on for special-needs children.

Fourth, if one wanted to think of new kinds of roles, and Governor Romer talked about the need for this, it would be a role in professional development of teachers. I would suggest that the bulk of the money be sent directly to the school. Minnesota passed a law, I understand, this year setting aside 1 or 2 percent of their foundation expenditure level for staff development and directly it right to the school, and the State of Missouri did the same thing.

Fifth and sixth would be some school improvement initiatives, and they are detailed in the written testimony. Seventh, I have put down a Federal role in reducing fiscal disparities in and of themselves, mainly because I think this is a very expensive program with questionable payoffs in terms of new Federal money. I put it seventh, if there is money left over after all of these other initiatives, which I would argue would have a higher chance of improving student achievement.

I think any way you look at it, a Federal role in either reducing intrastate disparities or interstate disparities will cost a lot of money. There is not much known about how much it will cost.

I guess I will just end by saying that one of the new projects that our research center will be starting next month will be to look at the nature of fiscal disparities within each of the 50 States and the costs and impacts of alternative State and Federal roles to reduce disparities both within and across States. We are using a national database of fiscal information from all school districts that literally is becoming available on computer disk this week, and we will put our talents to analyzing that and providing more empirical information on this at a later time.

Senator DODD. When do you expect to have that study one?

Mr. ODDEN. The first round in terms of quantifying the nature of the disparities and some first guesses at costs of intervention would be done by the end of this calendar year, and then some more sophisticated analysis kind of in the first half of 1994.

Senator DODD. Thank you very much for your testimony.

[The prepared statement of Mr. Odden follows:]

PREPARED STATEMENT OF ALLAN ODDEN

Good Morning Chairman Fell and members of the Senate Subcommittee on Education, Arts and Humanities. My name is Allan Odden. I am a professor of Educational Policy at the University of Southern California, where I direct USC's Center for Research in Education Finance. I also am the Co-Director of the Finance Center of the Consortium for Policy Research in Education (CPRE), which is a federally funded research center focused on education finance and productivity. (Beginning September 1, 1993, I will be a professor at the University of Wisconsin-Madison, where I will continue to be the Co-Director of the CPRE Finance Center.)

I am delighted to be here this morning to share with you my thoughts on the evolving issues in financing American public elementary and secondary schools, and possible federal roles in school finance and school finance equalization. My written comments will be brief and will draw upon ideas I have developed in two accompanying papers:

- Redesigning School Finance in an Era of National Goals and Systemic Reform, a background paper prepared for the Education Commission of the States and the National Alliance of Business.
- Aligining Teacher Compensation with Systemic School Reform: Skill Based Pay and Group Based Performance Rewards, co authored with Allan Mohrman and Susan Albers Mohrman, Center for Effective Organizations, University of Southern California.

My general orientation to addressing the issue of the federal role in education finance is to set it in the context of the national education reform movement. Thus my suggestions for new federal roles in education and school finance would be directed towards undergirding and reinforcing an ambitious nationwide education reform momentum already supported by education, business and political leaders across the country. My perspective, and work I have been doing generally and with support from the CPRE Center, is to design a school finance that meshes with these important national reform directions, and then to consider local, state and federal roles.

My comments will briefly address six general topics:

- Trends in School Finance Litigation and Funding Changes
- The Shift in Education Policy from Inputs to Achievement Standards, including the National Education Goals
- Key Components of Systemic Reform
- What Restructured Organization and Management Means
- A Finance Structure that Aligns with Systemic Reform
- Federal Roles That Evolve from These Directions

TRENDS IN SCHOOL FINANCE LITIGATION AND FUNDING CHANGES

Two issues raising new concerns about school finance are the spate of court suits sweeping the nation and the consistent rises in education funding over the past many decades.

Generally based on state education clauses, court suits have been filed, are about to be filed, or have been decided in nearly 30 states. State supreme courts in Kentucky, Montana, New Jersey, Tennessee and Texas have recently overturned state school finance systems, as have lower courts in Alabama, Minnesota and Missouri. So far in the 19905, only the Oregon court upheld the school funding system. These cases are notable because:

- The batting average for plaintiffs is about .900—most courts today find state finance systems unconstitutional.
- They focus increasingly on expenditure per pupil disparities themselves and show a decreasing tolerance for differences across districts. Courts seem to be saying that since education is a state function, financing per pupil should be the same across all districts, except for adjustments for special pupil needs (such as handicapped or poverty background) and special district circumstances (such as sparsity or price of educational services).

• They are wider in scope, moving far beyond dollar inputs. The Alabama decision, for example, requires the funding structure to provide for an adequate education system. Nearly all cases make reference to the thinking and problem solving skills needed of workers in the evolving economy and labor force and state that the education system must produce students with these cognitive capabilities.

Put differently, the court trend seems to be towards more equal spending per pupil and, at a level that would allow all districts and schools to educate students to a high level of academic achievement. Indeed, decisions in Alabama, New Jersey and Kentucky could be read to require equality for a new high minimum of student learning, not just equity in the underlying funding system.

From past experience we know that state response to court mandates usually entails adding new money into the elementary and secondary education system. Indeed, as the attached paper documents, funding increases for public schools have been substantial over the past three decades, rising in inflation adjusted per pupil terms by 69 percent in the 1960s, 22 percent in the 1970s, and 48 percent in the 1980s. These increases resulted despite occasional recessions and economic downturns. Only time will tell what the increase in the 1990s will be, but the National Center for Education Statistics predicts real funding will rise by 43 percent over the next decade.

Thus, the general background for thinking anew about school finance is that court cases are becoming more stringent in their requirements and may even be developing an achievement standard, and historically, funding seems to rise by significant amounts from decade to decade.

THE SHIFT IN EDUCATION POLICY FROM INPUTS TO ACHIEVEMENT STANDARDS, INCLUDING THE NATIONAL EDUCATION GOALS

The hint of a shift to educational outcomes in the court cases is complemented by a nationwide focus on education outcomes, as embodied in the national education goals. The goals, agreed to by the President and nation's governors in late 1989 and early 1990, generally stress what should be accomplished by the nation's education system. Since that time, pressures within states and at the national level have reinforced this shift in policy focus. While concern with inputs, including dollars, has not completely waned, the new orientation is to focus on what students learn from their schooling experience as the ultimate test of whether policies and programs are working or equitable.

The national goals are also supported by the present Administration and embodied in their Goals 2000 education reform bill now being debated in the Congress. Similar but more state tailored reform bills and initiatives are being debated across the country in state legislatures.

The key point is that the country seems to he moving towards a commitment to be concerned with not only educational inputs and processes, and insuring that they are made available equitably, but also to focus on outputs, or what students know and can do, and insuring that all students reach a new and high level of cognitive achievement from their schooling experiences. Indeed, in addition to stating that all student should come to school ready to learn, the national goals posit that all students should demonstrate competency in challenging subject matter including English, mathematics, science, history and geography, and that American students will be first in the world in mathematics and science.

While the latter goal will be hard to accomplish, the general thrust of the goals is that all students need to demonstrate advanced cognitive capabilities, to be able to think, solve problems and communicate in the above core content areas. This goal sets an ambitious outcome standard for the American Education system, around which all new major policy initiatives, including finance initiatives, should be orchestrated.

Meeting this standard would constitute a major accomplishment and would represent a major breakthrough in historic equity considerations since the achievement of low income and minority students has been substantially below these levels. Furthermore, meeting such as ambitious standard could also represent compliance with the evolving outcome standard in state school finance court cases.

KEY COMPONENTS OF SYSTEMIC REFORM

Systemic school reform is evolving as an approach towards policy formulation that provides high potential for meeting these ambitious student achievement objectives. The notion of systemic reform is to pare the education policy system to a few but very coherent set of policy initiatives all of which send the same signals about what

the education system should produce. Briefly, systemic reform includes the following key components:

- ambitious student outcomes and expectations that all students will perform at high levels on thinking and problem solving skills—the system shifts from a focus on inputs to a focus on student achievement standards
- high quality curriculum standards, such as those developed in California and by the National Council of Teachers of Mathematics, coupled with new and revised instructional materials.
- new forms of performance assessment, strongly linked to the curriculum standards, that measure student achievement and thus indicate what students know as well as what they can do.
- development of teacher expertise to include the knowledge and skills needed to teach this curriculum and produce the new high levels of student learning, i.e., substantially expanded professional staff development along with dramatically revised pre-service teacher training and standards for licensing and recognizing advanced teaching expertise.
- restructured management and governance, including site-based implementation, i.e., devolution of the critical aspects of implementation to the organizational unit that actually delivers educational services -- schools.
- restructured school finance policy which would include a revised teacher pay system.

WHAT RESTRUCTURED ORGANIZATION AND MANAGEMENT MEANS

Implementing systemic reform will entail creation of high performance school organizations. Goals, directions and expectations need to be set at the top of the education system by specifying the ambitious outcomes for students, curriculum content standards and new measures of performance embodied in systemic reform. School sites then become the organizational unit in the education system responsible for putting systemic reform into place. But site based management can implement systemic reform successfully only if it is designed well. There are several key elements of decentralized or high involvement-management that must be attended to in order to help it to accomplish system goals.

Research within education on school-based management produces only vague hints of how decentralized management can be effectively structured. On the other hand, there is an extensive knowledge base from research on decentralized management in numerous non-school organizations that have tried this approach. The knowledge base includes findings not only on the key elements of decentralization in the private sector but also on key elements in the public, governmental sector. A recent CPRE Finance Brief, School Based Management: Strategies for Success, synthesized these findings and applied them to schools.

The brief that decentralized management works best when four resources are present in the decentralized service providing unit:

- information
- knowledge
- power
- rewards, e.g., the compensation structure.

Information about organizational goals, objectives and levels of performance and about the key parameters of the work processes are required in order for the work force to make good decisions that foster organizational goals and high performance. This would include information on system and unit revenues, costs, sales, profits, cost structures, customer satisfaction, benchmarks with other companies, and data on the environment. In high involvement organizations in the private sector, the work team actually makes numerous business and technical decisions. A wide range of information is needed by these teams in order to help make their decisions wise ones.

Knowledge and skills are required for employees to optimally enact their new roles in such a way as to achieve high performance and continually improve outcomes. Knowledge and skills are needed in at least four areas: a) interpersonal or team skills for working together effectively in a group setting; b) technical knowledge and skills for providing the service; c) breadth skills for engaging in multiple tasks especially tasks decentralized to the work team as a result of the flattened organizational structure; and finally, d) business knowledge and skills for managing the fiscal aspects of the work team. Developing these skills and competencies is a necessity for the work team to function effectively, and implies a large, ongoing investment in human resources development, that for the most productive companies approaches 2-4 percent of revenues. Indeed, the private sector literature emphasizes

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in the strongest language the need to make these investments in worker training. The point is that unless the work team has the needed knowledge and skills it is difficult for them to perform their new and multiple tasks well.

Power is required in order for a well-informed, competent work force to have the authority to make decisions about the optimal application of resources and optimal processes to be used. Power includes decision making authority over the budget and personnel. It means the work team is given a lump sum budget to spend any way they decide, subject only to a constraint on the total amount. Further, the work team also is given authority to recruit, select, develop and, if necessary, fire personnel.

Rewards is the final resource that is decentralized. Rewards mean the employee compensation structure which must redesigned to align the self-interest of the employee with the organizational objectives. This might be the "stealth" issue in education. Only one state and just a few districts have proposed restructuring teacher compensation as a part of systemic reform or school based management, but such a compensation restructuring is a critical part of effective decentralization in the non-school sector. Companies usually shift to a knowledge and skills based pay system, in which workers—teachers in the case of education—are paid on the basis of the knowledge and skills needed in that work environment to get the job done. Firms shift from seniority based-pay system to pay based on direct assessments of knowledge and skills. A second new component of pay is performance based pay, but allocated on a group or team but not an individual basis. This would include such approaches as profit sharing, cost reduction gain sharing, employee ownership, and group based salary bonuses.

In summary, to make the decentralized management or site based implementation aspect of systemic reform work effectively, the decentralized work team needs a clear sense of the goals to accomplish and, as importantly, extensive information, an array of knowledge and skills, power over budget and personnel, and a compensation structure that aligns individual interest with organizational performance.

A FINANCE STRUCTURE THAT ALIGNED WITH SYSTEMIC REFORM

To support these kinds of new investments, and to insure a productive use of educational dollars, it is critical for the nation and the states to set achievement standards for the public schools. Schools must be clear about the types of outcomes they need to produce.

In addition, the above implies five new structural aspects of a redesigned school finance system:

- a focus on the school as the key organizational unit
- devolution of power over the budget and personnel to schools, including allocating a large portion of funds directly to the school in a lump sum or block grant
- development of a comprehensive school level information system
- investing dollars in capacity development
- redesigning teacher compensation

A school-based finance structure. The first new direction is to think much more about targeting finance policy more directly on schools—rather than districts. The school is the implementation unit for systemic reform. As importantly, recent initiatives in education policy such as charter schools and public school choice raise the issue of financing school sites rather than districts. Other initiatives including the New American Schools Development Corporation and the Edison Project are creating high performance school designs. Finally, nearly a dozen states have mandates for school-based decision making and their assumptions are that, over some time period, dollars will be decentralized to schools as well. The trend simply is towards targeting the school as the key unit in the education system. Thus, funding structures must also be more directly connected to the school site.

Move budget and personnel power to the school. The new general policy focus on the schools is consistent with the need to move power to the school, by devolving budget and personnel authority to sites as a component of fiscally decentralizing the management structure. The key school finance policy implication for moving power to the school is a school-based finance structure that would budget most dollars in a lump sum to schools. Such an approach follow the lead of the United Kingdom and require that 85-90 percent of all dollars—both general and categorical—now allocated to districts be sent to schools in a lump sum, to he budgeted and allocated by faculty-and administration in each school. This budgetary authority would need to be accompanied by devolving authority to the school for recruiting and selecting staff as well, both the mix of staff as well as the specific individual staff persons.

Most states now have a district finance system. Money is raised by districts and distributed by states and the federal government to districts. Schools receive resources—teachers, books, transportation, etc.—but they rarely receive money. But this district emphasis needs to change to a school orientation if the structural elements of systemic reform are expanded to include the appropriate management and finance policies. This would fundamentally change the nation's school finance system. It could very well be that by the year 2000 the major change in state education finance structures would be a shift from a district to a school-based financing structure, especially if, in addition to systemic reform and school based management, public school choice and charter school policies continue to expand.

There should be three components to the amount of money allocated to each school. First, each school should receive an equal base level of dollars per pupil. The preferred approach would be for the state to determine the base spending level and send the money directly to the school. Another, less radical, approach would be to send the money to the district and require us to budget a large portion—85-90 percent—of dollars directly to the school. Following the new legal remedy for school finance inequities proposed by Clune in a CPRE Finance Brief entitled School Finance Reform: The Role of Courts, the per pupil funding level should be set at a very high level, sufficient for sites to produce the level of educational achievement embodied in the national goals for all regular students

Second, since some schools have poor children who need additional services in order to learn the core curriculum, the base allotment should be augmented by a substantial amount for every poor child; a state could decide to allocate such money only for schools with a certain percentage of low income children, say 10 percent or more. Setting the dollar amount for this compensatory education add-on is not a simple task. it should be an amount sufficient for the school to raise the achievement of low income children to acceptable levels of proficiency on thinking and problem solving tasks. Clune suggests at least an additional $1000 for each poor student, a figure suggested as the cost of implementing the Success for All program, which has been quite successful in producing substantial achievement gains. The total costs of that program might be closer to $2000 per pupil, however.

Third, it is well documented that the purchasing power of the educational dollar varies across districts and labor market regions. Equal funding per pupil discriminates against urban districts, where prices are higher, and advantages non-metropolitan districts, where prices are lower. Thus, all dollar allocations should be adjusted by some regional labor market index that compensates for the varying purchasing power of the educational dollar.

This finance structure would produce fiscal equity across not only school districts in a state but also schools. In one major sweep, fiscal equity would be accomplished. But it would result from a new finance structure designed as part of an overall systemic strategy to help schools produce high levels of student learning, not as part of a fiscal equity agenda.

Develop a school-based information system. The data implication of school based financing and decentralized management is a school-based fiscal accounting structure that would provide schools with detailed information on revenues, budgets and expenditures by object, function and program. At a minimum, this would technically mean moving current education fiscal accounting information systems down from the district to the school level. It also would require information on student performance, periodically over the course of the year, feedback from parents and the community on school satisfaction, benchmark information with schools in similar communities, and up to date information on the socio-demographics of the school context. For the most effective implementation, it; would entail developing an on-line, personal computer based, interactive system that would provide each school with accurate, up to date fiscal information, as well as all of these other data on teachers, students and the community.

Invest in school-based knowledge development activities. Effective decentralized management requires development of a new and wide range of knowledge and expertise for faculty in a school. This requires substantial investments in training, or professional development. Training would need to focus on the knowledge and skills needed to teach the new thinking oriented curriculum, on the expertise needed to engage in school based fiscal decision making and budgeting, a broader range of competencies for teachers if many specialized jobs are eliminated (such as guidance counselors, curriculum supervisors, etc.) and those functions are taken on by teams of teachers in schools, and akills to engage in interpersonal, collegial activities. While lump sum budgeting could allow school faculty to allocate new funds for professional development, 2-4 percent of the total school revenue, or 2-4 percent of the foundation formula could be targeted for human resources development.

Redesign teacher rewards—change teacher compensation. This dimension of the new school finance would include changes in the reward or compensation structure for teachers. Following practices in the non-school section, it would entail changing the base of teacher compensation from the indirect measures of education and experience to direct measures of individual knowledge and skills, i.e., what teachers know and can do. Such a structure also could include a salary increase for Certification from the National Board for Professional Teaching Standards. The revised compensation system also could include group (usually school faculty) based performance awards, including bonuses for meeting improvement targets and cost-reduction gain sharing programs. The attached paper on compensation outlines in much more detail how such a new compensation structure could be designed, what the skill block components could include, and how to transition from the current to such a proposed system.

New approaches to teacher compensation are of strong interest to the American Federation of Teachers and National Education Association, and to the National Board for Professional Teaching Standards, which hopes Board Certified teachers receive a pay increment. Such a pay structure would not only align several aspects of the new type of school organization, but also would be a spur to improved productivity. First, teachers would earn pay increments not for seniority but only if they showed they had the knowledge and skills needed to teach the new, higher quality curriculum. Pay would be a reward for engaging in the time consuming activities of learning these new competencies, but also would be allocated only to people who had the expertise to teach the new curriculum. if a pay for performance component were added, some portion of education resources would only be used if outcome goals were achieved—again on an entire school (not individual teacher) basis. Further, if 2-4 percent of education dollars were targeted for robust staff development, which is now seen as fluff in too many education circles and is one of the first victims of budget cuts, money would be invested on an ongoing basis to develop the type of capacity to produce critical thinking for all students, teach well a thinking oriented curriculum, administer and use performance tests, and make real decisions about curriculum, instruction and management at the school site.

FEDERAL ROLES THAT EVOLVE FROM THESE DIRECTIONS

Many different kinds of federal roles evolve from the education reform and new school finance strategies just outlined.

First, the federal government might finance several programs that would improve the conditions of children and insure that all children arrive at school ready to learn. Specifically, the federal government could fully fund of readiness programs focused on pre-natal and post-natal care, sufficient health and nutrition in the first three years, and Head Start preschool programs, plus provide more adequate funding of other important children's social service programs. Rather than detailing such programs and their costs, the notion here would be to focus federal fiscal attention on programs designed to improve the conditions of children from low income backgrounds, rather than on education programs per se.

Second, the federal government could play a supportive, facilitative and partial funding role in the development of national standards for curriculum, student achievement, opportunity to learn and teacher expertise both for licensure and professional recognition. These directions are now embodied in the Administration's Goals 2000 bill that is being debated by the Congress. This could include continued support for the several groups developing curriculum standards in the key content areas; support for revising the National Assessment of Educational Project and for the New Standards Project to develop a world class student, performance-based assessment system; support for defining and developing opportunity to learn standards; new support for state efforts to develop performance standards for licensing new teachers; and, continued support for the National Board for Professional Teaching Standards.

Third, the federal government could solidify its historical lead role in compensatory education by funding the $1-2,000 per pupil compensatory education add on for poverty impacted schools. The federal government could finance the entire cost of such a program, or develop a grant program in which the federal government would match on a 2- or 3-to-one basis state dollars for low income children. The matching ratio could be higher in states with higher numbers and concentrations of low income children.

Fourth, the federal government could stake out a role in teacher professional development by creating a new program that would provide to school sites an amount equal to 2-4 percent of the national average expenditure per pupil, or between $100 and $200 per pupil for ongoing professional development. This program could be

phased in over several years. To insure that funds were used to help achieve the national goals, sites could be required to use the funds only for skills and expertise needed to teach a curriculum that meets the national standards and to prepare teachers for Certification by the National Board for Professional Teaching Standards.

Fifth, the federal government could create a new school improvement program initiative that would provide a substantial amount of either school improvement money or a salary bonus to faculty in schools producing consistent improvements in student learning on key national education goals. The required improvement levels could be set at the federal level; the specifics of the incentive program could be designed at the state level. The objective here would be a federal program designed as an incentive for goal accomplishment.

Sixth, the federal government could support initiatives aimed at redesigning teacher compensation. Such initiatives will need to include coordination of a series of policy conversations on the topic, assessment of the experiments states and districts have created and are beginning to implement, and research on a series of related topics. While the federal government should not design such a system, playing a facilitative role in supporting activities to engage in these tasks is an appropriate federal role.

Seventh, and finally, and if there are sufficient funds, the federal government might play a role directly in reducing fiscal disparities, either between states, across districts within states, or across all districts within the country. The dilemma here is that any serious attempt to address these issues will require substantial new funds. A colleague of mine, Steve Barro, has written a long paper which explores several alternatives for modifying federal education programs, such as Chapter 1, to encourage within state school finance equalization. Without substantial new Chapter 1 money, most proposals simply redistribute funds from poverty students in one district, often urban districts, to another. Even with more funding, Barro concluded that Chapter 1 is a weak vehicle for affecting school finance disparities within a state.

If the federal government were to take on a direct role in reducing fiscal disparities either among states or across all districts in the country, it would be considering a new federal role of general education aid which would require a large new budget. That may be a desired role at some time in the future. The Finance Center of CPRE over the next 18 months will be providing some new information that will be useful for considering such a role. We will be analyzing the nature of fiscal disparities within and across states using a brand new data base of fiscal information from all districts in the country that will be merged with socio-demographic data from the 1990s Census. These data have just been made available by the National Center for Education Statistics and we have proposed to OERI that the Center-immediately begin an analysis of them. As the Congress begins to look more closely at some of the options, we will have prepared several analyses that will pertain directly to their deliberations.

I hope these comments provide an additional perspective on the federal role in education, school finance and school finance equalization. I would be happy to respond to any questions.

[Additional material is retained in the files of the committee.]

Senator DODD. Dr. Aaron.

Mr. AARON. I am going to focus not on what to do with the money, but on where to get it and how to get it. Let me begin by simply doing—I did some pen-and-paper arithmetic. The numbers that Dr. Odden quoted regarding the increase in spending indicates that per-capita spending on American students has close to tripled since 1960.

During that period, we have not seen, to put it mildly, a dramatic improvement in educational achievement in the United States. I would suggest that those who argue that simply pouring additional funding into the current school system as a means of improving educational achievement have an exceedingly heavy burden of proof to bear. The key is, as Mr. Jackson emphasized and as Dr. Odden emphasized, support for reorganization as a necessary precondition for any additional support to be given.

As I comment in my statement, the debate about educational finance over the last three decades has dwelled on three broad sets of issues, one of which Dr. Odden just referred to, the fiscal incapacities and inequities among school districts within and across States in the United States. So far, that debate has primarily occurred at a State level—what should the States do to redress inequalities—and the steps have occurred as a result of litigation.

The second broad set of issues are what should be done to improve the advantages, or reduce the disadvantages of the educationally-disadvantaged. This issue has been faced at the national level and limited resources have been devoted to this task.

The third issue on which nothing material has been done so far concerns whether the Federal Government, through the tax system or some other device, should provide direct aid to parents to help underwrite direct costs of education either in or outside the public school system.

Now, in response to the first effect, one fiscal consequence of the movement away from school district-based finance has been an increase in the relative share of educational funding paid for at the State level. A corollary of this has been a decline nationally, a sharp decline, in the reliance on property taxation in general. The last time I looked at the numbers, the effective rate of property taxation had fallen by a full one-third from its peak level reached in the early 1970's. It may have fallen still further since then.

On the second issue, the Federal Government provides limited funding for aid to school districts regarding the educationally-disadvantaged. It has a very limited direct role in education itself through various Federal agencies. On the last issue, of course, you folks know far better than I the State of the debate on direct aid to parents, which is to say a stalemate as things now stand.

Now, the striking aspect of all of these debates, as I see it, is that there is very little tendency at the national level for significant movement away from previous patterns of Federal involvement in the educational system from an economic standpoint, this despite very strong statements by President Bush and the Nation's governors regarding educational standards and a clear demonstration by President Clinton that he feels at least as intensely about these issues as did is predecessor.

The reason for the difficulty of making significant changes is not hard to find. If the Federal Government is to exercise leverage, it typically does so through money. Its current financial role in education is minor. Increasing that role would necessitate cuts in spending elsewhere in the budget, higher taxes, or increased deficits.

The move to increase deficits, I think, we can put aside as bad economically and bad politically in the current context. As for cutting spending, I number myself a liberal, but I sit here quite prepared to say that I believe there are areas of the Federal budget that could still be cut with no significant economic harm, and perhaps some benefit to the Nation. The fact that they remain on the Federal budget after a decade of strenuous efforts to cut spending, I think, testifies to their political staying power and the difficulties that you will face in making any additional progress in that area.

For that reason, I think that if you are going to talk seriously about significant Federal involvement in educational finance—that is, additional spending—one has to recognize that that is going to entail additional Federal taxes, and that is a statement I would hold for health care financing or any other significant increase in the Federal role.

The income tax stands as a possible revenue source. It remains the major revenue source of the Federal Government. Economists differ on whether adding a few points to the income tax would significantly harm economic incentives. You get about $25 billion or a little more per percentage point added to the personal income tax rate.

I am not one of those who thinks that the economic effects would be serious from increasing personal income tax rates, but a lot of other economists don't agree with me and, more to the point, most elected officials do not. For that reason, I think that if the Federal Government is going to do anything significant that costs any sizable amount of money, we are going to have to as a nation think about a new revenue source, and the big game that we are not currently in that is available to us is either a national retail sales tax or a national value-added tax.

I want to stress that in making this statement I am neither embracing what I regard as the exaggerated claims of supporters of the value-added tax for the many wonderful things it will do the economy, nor am I accepting the dollar predictions of critics regarding the baleful effects of the value-added tax on inflation or equity.

The value-added tax or a national retail sales tax is, first and foremost, a device for raising money. It should be considered if you want to raise money, and not otherwise. It means that if the Congress, in its wisdom, feels that there are uses to which additional revenues can productively be put, the VAT is a device for raising that money, but I would urge that you not think about the VAT as a means for solving our international trade problems or increasing the U.S. saving rate significantly or significantly improving the efficiency with which the private economy operates. The VAT, I believe the record from other countries will indicate, would do none of those things, but it does raise money.

Thank you.

Senator DODD. Thank you very, very much.

[The prepared statement of Mr. Aaron follows:]

PREPARED STATEMENT OF HENRY J. AARON [1]

Mr. Chairman: Three related issues have dominated debates about school finance in the United States during recent decades:

- What should be done at the state level to redress inequalities of fiscal capacity among state school districts and to assure that local authorities provide education that meets certain state-determined standards?
- What should be done at the national level to encourage the provision of compensatory education for the educationally disadvantaged and to help states and localities bear the added costs of such education?
- Should the federal government provide tax relief or support in some other form to parents who send their children to private schools?

[1] The views expressed in this statement do not necessarily reflect those of staff members, officers, or trustees of The Brookings Institution.

In response to the first question, the share of educational costs borne by states has increased from 31.5 percent in 1969-70 to 37.2 percent in 1989-90 In response to the second question, the federal government initiated grants to school districts and programs of financial aid to postsecondary students. The overall federal role in educational finance remains small, however, with the federal government supplying funds for about 8 percent of total educational spending. The wording is critical here, because the federal government directly spends little on education other than through the Department of Defense, the Bureau of Indian Affairs, and a few other minor programs. In response to the third question, very little has been done because of continuing and unresolved disagreements regarding the desirability of supporting the movement of children outside the public school system and on how such aid could be given without violating the establishment clause of the Constitution.

None of these debates shows any signs of abating. Of late, however, a new issue has emerged. This issue arises from the palpable weaknesses of educational achievement of U.S. students. In response to these weaknesses, President Bush and the nation's governors embraced a set of educational standards to be reached by the year 2000. The intensity of interest evidenced by President Clinton at least matches that of his predecessor. Toward these ends, the administration is developing plans that Congress has been or will be asked to consider concerning national service, reform of student aid, and restructuring of assistance on behalf of the educationally disadvantaged. The question persists of whether national standards should be formally established and assessment instruments developed to measure progress toward those standards. The states are engaged in a growing effort to restructure curricula and are initiating experiments on how to assist the noncollege bound in making the transition from school to work.

The common element of most of these initiatives is that they will entail additional spending on education. As all members of Congress know well, proposals to increase spending are hard to sell in the face of large deficits and an aversion either to cut current spending or to raise taxes. Similar problems confront the states, compounded by balanced budget requirements.

There are two ways to pay for new initiatives: by curtailing some current expenditure and by raising revenues, if one excludes additional borrowing. One strand of educational research finds that educational achievement is poorly correlated with educational spending. This strand suggests that factors other than expenditures determine the quality of schools and that improvements in school management or other reforms could free resources, with no loss in school quality. This research remains highly controversial. Another, seemingly inconsistent strand of research finds that educational resources are positively correlated with subsequent earnings. Most of us care more about the effects of education on economic capabilities than about its effects on test scores. But the seeming inconsistency of these two branches of research cries out for some reconciliation. Until and unless the first of these two strands of research is shown to be more relevant than the second to current problems of educational finance, one should not casually advise curtailing current outlays to pay for new initiatives.

If talk about new ways to help the educationally disadvantaged, to support the school to work transition, and to assist poor school districts in meeting elevated educational standards is to be more than talk, additional revenues must be found. When it comes to added revenues, it is easy to round up the Usual suspects.

Reliance on property taxes has been falling for two decades as states have relieved localities of responsibility for school finance. This trend could be reversed. But one should recall that movement away from the property tax has been driven by a recognition of how unequally school districts, cities, and counties are endowed with property tax base. While it is logically possible to design power equalization or other devices for redistributing property tax revenues, the political appeal of such devices has been scant—for obvious reasons.

States (other than those blessed with rich mineral resources) rely overwhelmingly on income taxes—personal or corporate—and sales taxes. Driven by the goad of diminishing revenues, states have been boosting rates. A few of the states that did not levy these taxes have introduced them. States remain querulous about boosting rates because of concern that high rates will repel business or high income residents. Expecting states to underwrite significant additional educational outlays is a forlorn expectation, in my view.

That leaves the federal government. Any observer of recent fiscal history with more than a room temperature IQ cannot be sanguine about significant added federal support for educational initiatives or for much of anything else, including reform of health care financing, until and unless the president and Congress are prepared significantly to raise federal revenues.

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Some possibilities for cutting spending in ways that would do the nation little or no economic harm certainly remain. The fact that they remain after a decade of efforts to reduce the deficit testify to the political difficulty of enacting them. Furthermore, the potential savings are not large relative to the deficit or to the costs of health reform or large increases in the federal role in paying for education.

President Clinton has proposed some increases in personal and corporation income tax rates. Additional increases from these sources that would not produce significant adverse economic effects are certainly possible, particularly if the added revenues come from broadening of the tax base. Raising personal and corporate tax rates could generate a lot of revenue, something in excess of $25 billion per point. Economists differ on whether adding several points to personal income tax rates would do much damage to the private economy. I think not. But many reputable economists disagree. More to the point, most elected official seem to disagree.

For that reason, I think it would be desirable if elected officials seriously considered implementing a new revenue source for the federal government. The prime candidate is a national retail sales tax or a value added tax. The VAT has certain significant structural advantages over the retail sales tax. The retail sales tax clearly has the advantage of familiarity. States have been vociferous in opposing federal sales taxes or the VAT. They fear that their access to a revenue source that has been exclusively theirs would be reduced. In my view, it is possible for states to piggy-back on a federal VAT in ways that would increase the revenue potential for states, but some sacrifice by states of autonomy regarding tax bases would be necessary.

In suggesting consideration of a VAT, let me be clear that I am not endorsing what seem to me to be the exaggerated claims for the virtues of the VAT by its supporters or the equally exaggerated criticisms of its detractors. The VAT will not improve the U.S. trade position. It will not perceptibly boost saving. It will bring a new set of administrative problems, but they can be solved. While it is quite regressive by some, but not all, methods of analysis, these regressive effects can be effectively countered. It will result in a one-time boost iii prices, but need not cause persistent inflation. In short, the VAT is a way to raise revenue. If important and worthy uses for that revenue are deemed to exist, the VAT can do good. The tax, itself, is neither a blessing or a bane. It is a tax. And, as with physical conditioning, there is no gain without pain.

Senator DODD. We will now turn to you, Doug, and we appreciate your willingness to be here.

Mr. CHIAPPETTA. Thank you very much. I appreciate having the opportunity to testify.

Senator DODD. Pull that microphone close to you, Doug.

Mr. CHIAPPETTA. Is this better?

Senator DODD. That is better.

Mr. CHIAPPETTA. Thank you for giving me the opportunity to present before the committee today. I would like to say that in Vermont the opportunity to learn is a shared responsibility. We have been working on this issue of opportunity to learn, keeping with the other initiatives to create high-performance learning for all students in Vermont, no exceptions and no excuses.

In the past, Vermont's social contract required the State to provide for the instruction of its youth by defining what constitutes a school and a minimum course of study. School districts were responsible for delivering the instruction and certifying that students had received the instruction. However, there was no direct contact between the State and the learner.

Today, Vermont is changing that paradigm. On January 16, 1990, the Vermont State Board of Education, with input from thousands of Vermont residents, adopted four goals to guide the advancement of quality education in the State. Vermonters will see to it that every child becomes a competent, caring, productive and responsible citizen capable of continued learning. Vermonters will restructure their schools to support very high performance. Vermont will attract, support and develop the most effective teachers

and school leaders in the Nation. Vermont parents, educators, students, and other citizens will create powerful partnerships to support teaching and learning in every community.

The State is presently engaged in identifying what all students will need to know and be able to do to be successful in the next century. Vermont is also defining how well students should be able to perform these skills. Furthermore, local districts are given greater latitude in how they instruct students to achieve the levels of performance desired.

Part of the State of Vermont's role in this new system will be to measure the achievement levels of all students as they progress in their education and to provide assistance to those districts whose students are not achieving the desired results. If the State can articulate the content and performance standards, then it should be able to identify the conditions, practices and resources necessary to support them.

To ensure that all students have a genuine opportunity to learn the content standards at the level prescribed in the performance standards, the State, school and community must provide the necessary conditions, resources and practices for high-performance learning to occur. These conditions, practices and resources must address the learning environment and the quality of the curricula; instructional materials and technologies; the alignment of the curriculum, instructional practices and assessment; school community climate; professional preparation and development of teachers and administrators; finances; and the governance structure of the educational system.

In Vermont, providing the opportunity to learn is a shared responsibility, and I believe I have given in the written testimony a framework for that. The statements are proposed opportunity to learn domains, with some suggested criteria for each listed underneath. Schools and communities may expand upon these criteria and develop indicators for fulfilling them.

As I said, these criteria include that the school and community share a common vision for expected student performance for all students to meet the State board goals. The curriculum is designed and implemented so that all learners achieve the content and performance standards. Assessment measures the current of learner performance in terms of the vision. Effective professionals facilitate learning.

The educational resources are sufficient for all learners to attain the very high skills. The learning environment enhances high-performance learning, and the school's organizational structure is designed to facilitate the attainment of the desired student performance measures.

Vermont, in providing the opportunity to learn, fits the Vermont tradition of guaranteeing that every student has the opportunity to achieve high skills, and Vermont will focus on student performance measures. As I said, we are establishing the content and performance standards and are working to develop institutional portfolio systems which will demonstrate continuous improvement over time.

We don't really have a system of opportunity to learn standards in place because we are still developing the content and perform-

ance standards which will determine the necessary conditions, practices and resources to achieve them.

Vermont will launch a common core of learning of what students should know and be able to do to be successful in the 21st century beginning this year, developing curricula frameworks and assessment processes. It will define a common vision with human services, expand the Success by 6 program, and build on key partnerships that create strategies to strengthen school leadership, will deregulate schools for higher student performance, and will link the opportunity to learn with the current practice, building on the State's approval process and moving toward continuous school improvement.

[The prepared statement of Mr. Chiappetta follows:]

PREPARED STATEMENT OF DOUG CHIAPPETTA

In 1990, the Vermont State Board of Education adopted four goals to guide the advancement of quality education in Vermont. To achieve these goals, the state is engaged in identifying a Common Core of Learning: what all students will need to know and be able to do to be successful in the next century. Vermont is also defining how well students should be able to perform these skills through its assessment initiative which includes the use of student portfolios.

With the aid of a grant from the National Governors' Association, the Vermont Department of Education convened a work group of educational partners representing teachers, administrators, school board members, higher education, business, and human services. The work group identified the conditions, resources, and practices that must be present to ensure all students have a genuine opportunity to attain the Common Core of Learning at the level prescribed by the performance standards. From these identified areas, the Department of Education produced a list of seven opportunity-to-learn domains and related criteria for each. These domains include:

- The school and community share a common vision of expected student performance for all students to meet the state board goals.
- The curriculum is designed and implemented so that all learners achieve the content and performance standards.
- Assessments measure the current level of learner performance in terms of the vision.
- Effective professionals facilitate learning.
- The educational resources are sufficient for all learners to attain the very high skills.
- The learning environments enhance high performance learning.
- The school's organizational structure is designed to facilitate the attainment of the desired student performance measures.

Opportunity-to-learn standards would become part of the strategy to transform Vermont's education system. Schools and communities may expand upon the criteria related to the opportunity-to-learn domains and develop indicators for fulfilling them. Part of the state's role in this new system will be to measure the achievement level of all students and provide assistance to those districts whose students are not achieving the desired results. Schools not meeting the performance measures would utilize the opportunity-to-learn standards as a diagnostic instrument to determine elements undermining students' success. The school and state would then develop a plan of improvement including support from the state and specific goals and actions by the school.

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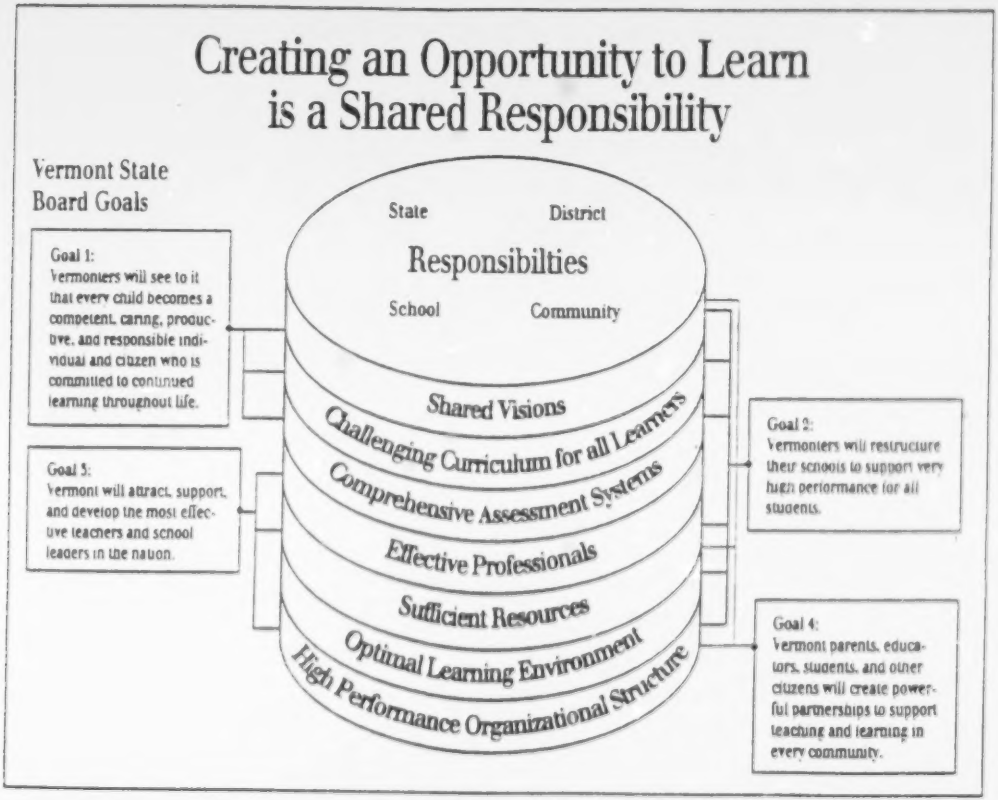
PROVIDING THE OPPORTUNITY TO LEARN IN VERMONT

OPPORTUNITY TO LEARN STANDARDS	STATE RESPONSIBILITIES	DISTRICT RESPONSIBILITIES	SCHOOL RESPONSIBILITIES	COMMUNITY RESPONSIBILITIES
There is a shared and common vision of high performance for all students to meet the State Board goals.	• Expectations of the school, community and students are aligned with the vision. • The state's educational goals and mission are clearly articulated and known to all. • Department of Education works closely with human services organizations to meet the needs of all learners, beginning with pre-natal care, so that all students come to school ready to learn.		• The school's goals, and mission are derived from the vision, collaboratively developed and expressed in terms of desired social, personal and academic learning results. • The school builds powerful partnerships with the community and business to fulfill the vision. • There is a close association with human service organizations to meet the needs of all learners.	• Participate in the development and implementation of the vision for that school and community. • Expectations of the community and students are aligned with the school's vision. • There is a close association with human services organizations to meet the needs of all learners, beginning with pre-natal care, so that all students come to school ready to learn.
The curriculum is designed and implemented so that learners achieve the content and performance standards.	• Common Core Framework provides recommended content standards, performance standards, and school delivery standards.	• Curriculum aligns with the Common Core of Learning. • The curriculum is rich, challenging, appropriate, relevant and promotes self-directed learning.	• The teaching process actively involves the learner, promotes inquiry and utilizes multiple learning environments, both inside and outside the school building. • Instructional time is flexible, well organized and sufficient for each learner to master the required skills and concepts.	
Assessment measures the current level of learner performance in terms of the vision.	• State assessments must be purposeful, authentic, and promote improvement.		• Local assessment programs include a variety of measures and are appropriate for the purposes to be served.	• The community recognizes and celebrates the students' attainment of high performance results.

OPPORTUNITY TO LEARN STANDARDS	STATE RESPONSIBILITIES	DISTRICT RESPONSIBILITIES	SCHOOL RESPONSIBILITIES	COMMUNITY RESPONSIBILITIES
Effective professionals facilitate learning	• Teacher licensing and recognition is aligned with desired student performance.	• Teachers have the knowledge and skills to teach the curriculum and demonstrate attitudes and behaviors consistent with the belief that all students can achieve the performance standards.	• Teachers can assess learning styles and employ appropriate strategies to meet learner needs • Teachers continually and consistently access professional development	• The community values and supports the work of outstanding teachers.
Educational resources are sufficient for all learners to attain very high skills	• There is adequate financial support to assure equitable distribution of funds.	• The financial system must be predictable, equitable, creditable, and accountable for maximizing the fiscal resources, and must align with the state framework for delivering high performance curriculum. All learners have access to the support services needed to assure that the learner is physically and emotionally prepared to learn.	• Non-financial community resources are extensively used to maximize the school's ability to deliver the instructional objectives. • All learners have access to the support services needed to assure that the learner is physically and emotionally prepared to learn.	• Actively support the vision of the school with both fiscal and human resources • There is adequate financial support to assure equitable distribution of funds. • Non-financial community resources are made available to maximize the school's ability to deliver the instructional objectives. • All have access to the support services needed to assure that the learner is physically and emotionally prepared to learn
The learning environment enhances high performance learning	. The environment is safe, healthy and stimulating, and insures the physchological and emotional health and civil rights of all learners.		• All learners have access to appropriate learning environments which support their learning style and the learning objectives. • The environment is safe, healthy, stimulating, and ensures the psychological and emotional health and civil rights of all learners. • All learners are well known as learners and individuals. • All learners have access to materials, equipment, technologies and other instructional resources needed to attain the high performance standards.	

OPPORTUNITY TO LEARN STANDARDS	STATE RESPONSIBILITIES	DISTRICT RESPONSIBILITIES	SCHOOL RESPONSIBILITIES	COMMUNITY RESPONSIBILITIES
The organizational structure facilitates the attainment of the desired performance standards.	• State Department of Education will restructure to be responsive to the changing needs of schools. • The state will provide a governance structure which encourages effective and efficient decision making. • The state will provide a governance structure which will attract and maintain high quality leadership in every school district.	• The organizational structure is aligned with the state's educational goals and mission. • The district's organizational structure supports a decision-making process which enables high performance management.	• The organizational structure is aligned with the district's goals and mission. • The organizational structure employs a decision-making process which enables high performance management, involving students and parents in the decision-making process whenever appropriate. • The organizational structure optimizes learning, provides sufficient time for teachers to plan, act, observe, and reflect, and promotes risk taking in an effort to achieve academic excellence for all learners. • Communications between the school and community are continually maintained and improved.	• Communications between the school and community are continually maintained and improved.

Creating an Opportunity to Learn is a Shared Responsibility


Vermont State Board Goals
Goal 1:
Vermonters will see to it that every child becomes a competent, caring, productive, and responsible individual and citizen who is committed to continued learning throughout life.
Goal 5:
Vermont will attract, support, and develop the most effective teachers and school leaders in the nation.
State
District
Responsibilties
School
Community
Shared Visions
Challenging Curriculum for all Learners
Comprehensive Assessment Systems
Effective Professionals
Sufficient Resources
Optimal Learning Environment
High Performance Organizational Structure
Goal 2:
Vermonters will restructure their schools to support very high performance for all students.
Goal 4:
Vermont parents, educators, students, and other citizens will create powerful partnerships to support teaching and learning in every community.

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Senator DODD. Thank you very much. I appreciate it very much.

Senator JEFFORDS. I have to leave. I have a group from Russia out here I am going to meet with briefly. I will be back in.

Senator DODD. He is going to find out how they equalize their funding for the schools. [Laughter.]

Senator JEFFORDS. They collect all the rubles.

Senator DODD. Yes, that is right; a highly centralized system, one might say.

Well, this has been excellent testimony and tremendously helpful to us. Like yesterday, I have been struck by—not that I would expect it with this particular group, but sort of the common denominators that run through the testimony. Even people who may differ a little bit on the fringes of this, the linkage of the panel yesterday where there was a tendency maybe to be a bit different in their approach, but the commitment to educational reform that this is a dollar problem—we are getting it loud and clear and it is a very important piece of testimony as we consider what has to be done.

Again, I don't think anyone is saying that reform without the necessary resources is a positive outcome. We heard earlier Mr. Jackson talk about New Haven with Jim Comer and his efforts with the Comer schools and why they are not working at their full potential, despite some very strong support and very creative ideas and management techniques. In the absence of resources to support it, it makes it an impossible effort.

So the combination of these things is critically important, but what I clearly hear all of you saying is even though we come up with a wonderful new funding scheme that enjoys wonderful support, if we think we are going to solve the problem by that alone, we are making a huge mistake. Particularly, Dr. Aaron, your emphasis on a value-added tax idea, prefacing your remarks by associating your comments with Dr. Odden, I think is particularly worthwhile and important.

I sense here that there is pretty much agreement on those points, as well, as to how we marry these two ideas. I wonder if you might, though, go back and talk a little bit about the whole question of equity. You mentioned these courts cases, and so forth, that are clearly pointing in that direction. I don't know what other signals we need to get up here and, if they are clearly heading in the direction of mandating equity why we shouldn't take that message and run with it.

I don't know how many court cases there have now been, but there are numerous ones around the country and there does seem to be a consistent message coming out of them. It seems to me that we ought to pick up that responsibility here and start to move on that question. How would you respond to that?

Mr. ODDEN. Well, in a way, you have got a real dilemma. With all due respect to the lawyers, what I see the lawyers doing in the court cases is framing the issues primarily in a fiscal disparities context and comparing what money and what the programs look like in the bottom-spending districts and comparing it to the top-spending districts. It is a very successful strategy, and the response to that on the fiscal side is to put more money into schools and to produce more fiscal equity over time.

As I look back, though, over, let us say, the 20th century, we have been trying to produce more fiscal equity across school districts for the entire 20th century. It has been hotter and heavier in the past, let us say, 20 to 30 years. We have put a lot more money into the system and we haven't substantially improved the degree of fiscal disparity in the system. So we haven't done very much on that agenda, even, for example, in the State of California where pretty much for the base programs, excluding categoricals, money per pupil is the same across all districts.

We have just completed a study supported by Federal funds where we have cut—it is equal on a dollar-per-pupil basis across districts, but we have probed below that to the school level and we have found at the school level, even if dollars per pupil at the district level were the same, we found wide variations in dollars per pupil at the school level, wide variations in the quality of teachers, wide variations in the curriculum provided, and wide variations in student learning.

So even if we accomplish a simple fiscal equity goal at the district level, we may not end up producing much equity. So, that is why I really have been working on trying to marry the program side with the finance side and say that we need to focus on the outcomes. That is the ultimate goal. If we actually codified that and wrote it down in law or policy at the Federal level or in a State, number one, it would make us really face our rhetoric in terms of a real issue. No. 2, my hunch is that we would have—since there would be a wide disparity in terms of students meeting those new, high achievement outcomes, hopefully we would then have pressure, political and program and fiscal, to put the resources into the programs that would produce that new, high level of learning and then get more outcome equity.

Senator DODD. That is a good point. Sitting at this side of the table where, again, you hear almost unanimous expressions of commitment to local autonomy in this arena. You may have heard Governor Romer saying, you know, just come up with a value-added tax, put a sort of a bushel basket of money out there. The only Federal involvement is the disbursal system based on some formula.

Now, he also is committed to reform efforts, but leave the basic decisionmaking to the States and localities. You may have heard Senator Simon raise some specific questions about where that line is between overreaching, and so forth, to the point of setting school calendar days would be overreaching unless there were some incentive area.

I think you are right. I think unless you have some national standards here that you are driving at, it makes the argument very difficult about a national funding scheme. Everyone wants the latter, but no one wants the former. It is the old argument, everyone wants to go to heaven, but no one wants to die, in a sense.

How you politically get there is extremely difficult. I don't know if you have any thoughts on the politics of all of this.

Mr. ODDEN. Well, that is why I suggested in my written testimony more targeting of new Federal support because I think the education system is very schizophrenic about moving to an outcome standard. I think in the short to medium term, to reinforce the broader efforts that are trying to move the system to an outcome

standard long-term, I think, will be very, very beneficial; then if there is more money, to put it into programs for needy kids because low-income kids, the kids in the bottom half, are going to need more than one shot of instruction to achieve at these high levels. They are going to need a second and third dose.

Then, long-term, I think long-term what is going to be facing the country because of wide disparities in context across States is this whole issue of interstate differences. But I don't think we can politically or fiscally deal with it now, maybe longer term.

Mr. AARON. May I add I also don't think that the interstate differences are central to the educational problems that the Nation faces today. If one looks at the correlation across States, particularly if you throw the District of Columbia in as a State, the correlation between per-pupil spending and performance on various achievement tests is not very good.

Yes, in the South one has a number of States in which performance isn't very good and they are low-income States, but some of the best performing States are not the highest-spending States in the Nation. The emphasis that Dr. Odden has been hammering at and I would simply reinforce is the importance of reform at the State level.

The Federal Government could try to rewrite the fiscal constitution that has governed the financing of education. It would be very costly to do so, and it was to that end that I said if the feds want to make a major step in that direction new revenue sources are needed.

Having said that, I would question whether that should be a national objective at this time. It seems to me that the more targeted objectives that Dr. Odden stressed—curriculum development, assessment, standards, targeted aid for the disadvantaged, teacher training—are activities that are not huge-ticket items. Equalizing funding across the United States—that is big, big money.

Until we get a better fix on how to make this system function better, and that inevitably is going to be highly differentiated and local and State, I think it would be a mistake for the feds to pour a lot of money into this system.

Senator DODD. How do we get the courts not to continue reaching the decisions they are with the frequency they are? I think maybe it is how the lawyers are framing it, but also judges have a pretty free hand in these cases and there seem to be pretty consistent conclusions they are arriving at that, in fact, the disparity in funding does create serious problems. These are not all left-wing judges out there that are reaching these decisions, so a pattern is clearly developing here.

Mr. ODDEN. Well, maybe you could take great comfort in the fact that in, let us say, 30 States as of now, and maybe more as the 1990's progress, this pressure will continue within States through the courts. So there will be continued pressure on a State-by-State basis to equalize funding. Those are good objectives, and as those cases become even broader in scope they will begin to focus more on outcomes.

At the same time, the Federal role could be to reinforce and support mechanisms to keep the overall system focused on producing high levels of outcomes. The combined forces of the Federal support

for the outcome objectives and the State court forcing more equal spending could together produce more equity both on the fiscal disparity side, hopefully, as well as even I think more importantly on what students know and can do.

Senator DODD. Well, let us take your theory along here. Six percent of the total cost of education in this country comes out of the Federal Government. We all know the arguments around here. We have got $400 million committed to the Goals 2000 approach, 6 National Education goals. How does that strike you, that piece of legislation, in the context of what you have just said?

Mr. ODDEN. Well, if it is actually funded at $400 million—the target I have heard is $100 million in terms of the real money into it. What that does do—it is a small amount of money, but it reinforces the development of standards, both outcome standards, achievement standards, teaching standards, and opportunity to learn standards. I think the development and the consensus activities that develop around approving those will be important for the system on the outcome side.

More could be done, but I would say in terms of that narrow context, that could be a very small investment for a potentially very, very high payoff, again reinforcing the shift of overall education policy, as well as the education community, to focus very strongly on producing high levels of outcome.

We know that with kind of our new understanding of how kids learn, thinking and problem-solving, that if we explicitly teach it and reinforce that teaching to kids on the bottom half who have not been exposed to this kind of teaching, they do learn these higher-level thinking skills, where in the past we haven't even tried to teach it to them. So there can be great gains for kids in the bottom half.

Senator DODD. I am retreating a little bit, but you clearly subscribe to the notion that defining equity is an equal amount of money spent per pupil regardless of where they live, as opposed to the adequate base funding. Is that correct?

Mr. ODDEN. Well, no. You need to have a high level of base so that schools for the average kid would have sufficient resources to bring the average kid up to these high levels of learning.

Senator DODD. But not necessarily an absolutely level playing field, regardless of community?

Mr. ODDEN. No, because on top of that I think you need an extra $1 to $2,000, and there are various estimates of what you need extra for kids from poverty backgrounds to achieve at that level.

Senator DODD. How do you factor in the drugs and violence and health problems, and so forth, that don't neatly fit into an education—what happens when you walk through the door in the morning to go to school—but clearly have an impact on educational performance?

Mr. ODDEN. That is where I kind of rolled that in a little bit to my first suggestion, and that is it is first focused on the readiness goal and the readiness program, so it is pre- and postnatal programs, WIC-type programs, early childhood education for getting kids ready for school. And then it is working on coordinated children's services that are co-located at sites either at or near local schools, so that kids can have brokers or case workers trying to or-

chestrate the coordinated provision of these additional kinds of services that they really need, and with an emphasis on intervention services rather than just picking up the kids when everything is kind of falling apart. So, that is a whole other set of emphases that need to be put into the system.

Senator DODD. I am going to ask both of your colleagues to comment on these very questions I have raised. But I also want you to address, if you will, something Senator Jeffords and I have heard for the last couple of days, and that is the word "inertia," the inertia that exists out there and how you deal with it.

Mr. ODDEN. Well, I take some cues from what has been done in part in the private and some other public sectors, and that is if we set ambitious achievement targets for the system, that, I would say, cuts at some of the inertia. We need to combine that with a decentralized implementation, so I am a supporter of well-designed, comprehensively designed school-based management activities that have as part of it some accountability mechanisms which would include group-based performance rewards to faculty in schools that produce improvements in student learning, as well as a switch in the way teachers are compensated away from compensating for seniority in just credit units and more toward a compensation which has been developed fairly well in the private sector called skill base pay.

So you would identify what teachers know and can do and restructure the teacher salary schedule around those skills. That would link to the professional development that is needed because to teach this high-quality curriculum, teachers need to know a lot more content. They need to know a lot more teaching strategies, so you would begin aligning what they would be paid for with what they would be working hard to learn in terms of new skills. There is some support for that, I would say, among at least the national teacher unions in terms of wanting to begin policy discussions to think about that kind of a shift.

Senator DODD. I have taken a lot of time, Jim.

Senator JEFFORDS. Well, that is all right. I again apologize because this is probably the most critical testimony we have, and I am sorry, but we also had a joint exchange between staffs of the parliament of Russia and the staffs of our Congress. Obviously, somebody realized where the power is and decided it was better to exchange them than us.

Senator DODD. Those poor people; let them alone over there.

Senator JEFFORDS. One of my assistants had been over there for several weeks and now her counterparts are over here, so I apologize for that.

I am very interested in all of your testimony. Mr. Odden, I am sorry I wasn't here, but if you could give me a better idea of what needs to be done and then how do we pay for it, but also very importantly how much is it going to cost.

Are you or is someone trying to figure out what the perfect school system would be and what it would cost to give us an idea of where we are looking in terms of the out-years on where we ought to expect to be, presuming that we also know we have to marshal our resources better? Are we going to get any attempt at that answer?

Mr. ODDEN. To be honest with you, I would say that is almost impossible to quantify. Some people are working at it. The way it has been done historically—and this is in one of the background papers I sent along with my testimony—one tends to cost it out on input standards, and one person's input standards just can differ from somebody else's so that is kind of a never-ending strategy.

What I said at the beginning was that if the issue is we need more money, and I believe to accomplish these high national goals we do need more money, if we look backwards we tend as a nation to have put more money into schools historically. We have tripled it since 1960, we have about doubled it since 1970. NCES projects that we will be putting another 43 percent into the schools in real terms over the next 10 years. Only time will tell if we do.

My concern is that if we look at historic rises and, let us say, projected increases in funding, achievement has stayed about flat. Almost all the reports—well, one from the Congressional Budget Office, Dan Cortz, a few years ago, but the NAPE results show that achievement today is about where it was 20, 25 years ago. So we can spend money. We provide more services, we have more access for kids, but we have really not penetrated the achievement flatness.

So I think that is why I am suggesting to try to shift to an achievement standard and to begin thinking about targeting new investments which short- to medium-term will be small into activities that have high probability of focusing the system on achievement and focusing the use of current and new resources in producing higher levels of student learning. So it is using the money we have and it is using the likely new money we will have in that more cost-effective way.

Senator JEFFORDS. Dr. Aaron, I was a little bit confused by some of the statistics we got and the tremendous increase in the amount of money that has been available for education and the difference in where it is coming from with respect to property taxes. Have the property taxes gone up or has the funding been shifted off of the property tax on a general basis throughout the country to other sources of revenue?

Mr. AARON. State and local tax collections, in general, have risen in the past couple of decades. Property tax collections as a percentage of gross domestic product are down. The reasons are, I think, several. One has been the enactment in various States of property tax caps, California perhaps most noteworthy in the mid-1970's, but not unique.

In addition, the litigation that Dr. Odden has described in which courts have invalidated State financing systems for education because the discrepancies were excessive typically lead to some form of equalization in which the State is forced or called upon to use its resources through some kind of a grant program to comply with the court's orders.

States don't, by and large, collect much in the way of property taxes. School districts, counties and cities do. If the States weigh in, then the fiscal responsibility shifts to other forms of taxation, typically sales, personal income, corporation income taxes. So there has been a move in that direction, notably in Connecticut recently a move to an income tax. But in a number of other States, rates

have been increased, new taxes have been introduced, and so there has been a tendency to move away from property tax financing nationally and toward the kinds of taxes on which State governments traditionally have relied.

Senator JEFFORDS. Doug, to get back to the question of inertia and what you are experiencing with respect to your programs, when do you anticipate implementing the standards and when do you anticipate being able to have them?

Mr. CHIAPPETTA. Well, on the question of inertia, I think, as you know, part of my job with the Department of Education has been to oversee the State's approval process of approving public schools, independent schools, and home study programs. The way those State board standards were developed was certainly with a great deal of input from Vermonters. There is a long tradition of local control, so they received a wide hearing before they were enacted and that garnered very good support for them when we actually enacted them and developed them.

In the 1980's, I think we saw people realize that education was in trouble, but their schools were okay. I think as we are moving into the 1990's, they are beginning to say education is in trouble and maybe my school is not okay. We have to provide them with a reason for change. Providing the inputs, as we have done through the 1980 standards that were developed in 1985, revised in 1987, they were strongly on the input side—the number of books in the library, having the support services there such as nurse and library and guidance and things, and those are important. They need to provide some foundation for equity, if you will, or acceptable educational opportunities, but they don't guarantee quality.

We need to move toward quality, and Vermont has been really pushing very strong for what we want students to know and be able to do, and really moving strongly in the area of authentic assessment, especially with the development of portfolio assessments which really do demonstrate what students are capable of doing. We are getting some very interesting results from that, including some very interesting preliminary results on disadvantaged students or students with handicapped ability being able to perform quite well on these assessment measures.

They provide an indicator to schools of what their students are able to do, how well can they perform, and when that information becomes available to the teachers and to the community, they can then ask the question what is it that we need to do differently to increase that performance. Do our teachers need more training? Do we need different resources? Do we need to think about a different structure to the school day? Do we need to reorganize our curricula? Is it aligned with our goals? Are we doing what we say we are doing?

So I believe in Vermont—and in some sense we are fortunate that the total number of students in the State is about the size of the city of San Diego. You were talking about Hill House, and I grew up in Connecticut. I graduate in a class of 650. We don't have that in Vermont, but we do have very small schools. But there are still many of the same problems in terms of disadvantaged students or different pockets of the State where the inequities are more significant.

There is also a strong, strong emphasis on local control and the communities want to know how well their students are doing and what they can do to do it differently. So we have really provided some incentives. We were fortunate to win a grant from the New American Schools Program. We have a number of schools that are involved in that. We have offered schools an opportunity to gain regulatory relief for promises of improved student performance and we have had schools take us up on that.

So, that inertia is really changing. People are coming to the department and saying we would like to do it differently and here is what we want to do. It is a very exciting part of my job and I think it is really going to reap some great rewards because the emphasis is on student performance. The bottom line is what can students do.

We are looking at not only using those fiscal resources, but we are also looking at the nonfiscal resources in the community. School is no longer defined by the four walls that the student attends, but the school is defined by the community in which the student lives and what is available within that community to bring into the school and to take the students to. So it is a real exciting time in Vermont.

We also have a question of the financial equity. The Federal Government provides 6 percent or 5 percent of the funding. In Vermont, we provide less than 30 percent, on average, State funding and many of the 251 communities in the State don't receive any State aid. State aid is predicated on the resources within the community and their ability to support that, and we need to provide other incentives and that is where we look to regulatory relief or different organizational structures.

We also want to create opportunities for stronger school leadership and really develop leadership. As I mentioned, one of the goals of Vermont was to attract and maintain the best educators in the Nation. That requires continuous professional development, and we have established a professional standards board to oversee those licensing issues and to really look at professional development. Administrators are doing the same thing because we think that there is a strong correlation between good leadership and improved school performance, and I think that leadership is not just defined by the building administrators, but it is also defined by the educational community, the school board members and those within the community that support education.

I think most importantly it is a matter of communication, communicating with the community what the needs are, how well students are doing, how well students could be doing, and supporting that from the State level, at the local community level, at the State legislative level. We really need to examine the whole gamut, the whole realm of how we are providing those educational services and rethink that and support that in terms of getting increased performance.

So that is a long answer, but I am excited about what is happening.

Senator JEFFORDS. Your enthusiasm excites me, and especially for our State. Thank you very much, all of you, for very, very excellent and very helpful testimony, and I hope you won't mind if we

bug you now and then, all of you, as we progress down this trail. We are not sure where it is going at this point, but we know where we want to end up. But how to get there, we are not sure.

Thank you, Mr. Chairman.

Senator DODD. That was excellent.

Where in Connecticut were you from?

Mr. CHIAPPETTA. I was fortunate. I grew up in Greenwich, CT, and I attended the University of Connecticut for my bachelor's and came to Vermont to do my master's.

Senator DODD. We lost you. Come on home. All is forgiven. We need you.

Mr. CHIAPPETTA. Thank you very much.

Senator JEFFORDS. All I remember about Hill House was their basketball team when we ran up against them.

Senator DODD. That is right. They were good.

Senator JEFFORDS. That was one of my worst experiences in my life. [Laughter.]

Senator DODD. The only thing that comes to mind just quickly, Doug, with you is am I incorrect that in Vermont you are dealing with a relatively homogeneous community, by and large?

Mr. CHIAPPETTA. Well, I believe some people may argue that there is not as much diversity in the classroom, and I think, however, there is still great economic diversity in Vermont. I wouldn't be misled about that, and that does really create some vast inequities in the State. Our job is to ensure that we do have acceptable opportunities for all Vermont students regardless of geographic location.

I am not sure if you are aware, but in Vermont there are many communities that don't support their own high schools and so there is even some opportunity for choice about that. It is an interesting situation. Unfortunately, some students have to attend high school outside of the State, and say unfortunately because as you talked before about inertia and parents' involvement in the process, I hate to see us lose any of the stakeholders and if students are attending school outside of the State at the secondary level, then the parents are not as interested in that and don't have the say in that.

But it is something that is unique, I think, for Vermont. I am sure other States do it, but it does allow us to benchmark what is good in the State, allows us to share that information among other schools so that they can replicate that and see what is happening, and keep an eye on what our competitors are doing. So we need to maintain those good services.

Senator DODD. Well, Vermont is very lucky to have you. That inertia affects also what happens at your level, and there is a clear, genuine sense of excitement about what you are doing and that has got to affect the people who come to your office.

Mr. CHIAPPETTA. Well, thank you.

Senator DODD. So it is Vermont's gain and our loss. That is excellent. As Senator Jeffords has said, we are going to stay in very close contact with you, if we can, on this as we move forward. There is, I think, a real, genuine interest here to try and do something and I think you have highlighted very importantly for us the combination of issues here. It isn't a single path that you have got

to follow at all, so we are deeply grateful to you for spending the time.

I want to thank Senator Pell, who is not here with us today—he was here yesterday with us—and his staff for the extraordinary help they have given us in putting these hearings together. I would like to thank particularly Michael Dannenberg, who has helped conceptualize and organize these hearings. So we are grateful to Michael.

There are going to be some national hearings. I know Senator Simon is holding some hearings, I think, in East St. Louis. Senator Wellstone is going to be having some here next week, and Senator Bingaman. So we are going to try and get outside a bit as well and listen to some local people and get to some different places around the country so we can get a flavor of the different needs out there and what people have in mind.

This is not an issue that is going to go away. As I said yesterday, the best thing we have got going is there isn't a bill sitting in front of us. This is a blank piece of paper and we are anxious to see what can emerge, but we are not starting with a particular preconceived notion about exactly what we ought to be doing here. So your testimony is critically important to us as we try and formulate our ideas. So, with that, I thank you again for being with us this morning.

This subcommittee will stand adjourned until further call of the Chair.

[Whereupon, at 12:58 p.m., the subcommittee was adjourned.]

AN EXAMINATION OF THE FEDERAL ROLE IN SCHOOL FINANCE

TUESDAY, AUGUST 3, 1993

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
OF THE COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:55 a.m., in room SD–430, Dirksen Senate Office Building, Senator Wellstone presiding.

Present: Senators Wellstone and Simon.

OPENING STATEMENT OF SENATOR WELLSTONE

Senator WELLSTONE [presiding.] The Subcommittee on Education, Arts and Humanities of the Committee on Labor and Human Resources will come to order.

Let me first of all call on the honorable Kurt Schmoke, Mayor of the city of Baltimore, and Bill Taylor. Representative Xavier Becerra will be here, but he has not arrived yet.

I will first apologize to each and every one of you. I tried to come down earlier to explain that when we put the work into this subcommittee hearing, of course, we did not realize that, as it turns out, votes would be scheduled yesterday for today, stacked votes, so I do apologize for any inconvenience that this may have caused you.

I think what I will do is dispense with any opening statement. We will make this a work session, and I will ask the panelists to, rather than going through complete written testimony to please submit that for the record and to summarize, and then we'll have some time for pointed questions, and we will try to move this along and make it as productive a work session as possible.

For my own part, let me just say to each of the panelists and those of you who are here today that with the focus on Goals 2000, and with the focus on testing, albeit voluntary testing, and setting of national standards, I think the real question has to do with whether or not children—all children—are going to have the means and the resources to be able to meet those standards. That is the central question of equity in education financing. And if I can come off not sounding pretentious or presumptuous, I think that is an unpleasant reality that we have not looked at here in the Nation's Capital. There are a number of us on the Senate side who have formed a working group on equity. A number of those Senators will

not be here today because they are chairing other subcommittees, and this is probably the last week before recess.

But for my own part, I would like to say to all of you that we do not view this hearing as symbolic. I would very much like for us to keep coming back to the question of where does the Federal Government enter into this; what are the specific proposals that we would want to prioritize, and how we do the follow-up.

So I thank you for being here, and I want to just make a personal commitment to all of you that as a Senator—and I know I am speaking for others as well—I take it very seriously, and I just *feel very determined that we thrust this forward in the agenda of* the country. We have to. I think people in the country will be behind us, but it just has to become a part of the dialogue in the country, a part of the conversation in the country, and we have to have some very specific proposals from you—essentially, you are the teachers today, since this is education, and I am the student—because I want to legislate. We want to push forward legislation that will make a difference.

Before we begin I have a statement from Senator Bingaman.

PREPARED STATEMENT OF SENATOR BINGAMAN

I would like to thank Senator Kennedy for agreeing to this series of hearings on the critical issue of equity in education and school finance. I applaud the committee for its efforts to grapple with this complex issue, and you, Senator Wellstone, for chairing this hearing.

For some time, I have been concerned with the growing financial disparities among the individual states and local school districts—and our inability, as a nation, to provide equal access to quality education for ALL our students. These hearings are, in part, a response to legislation I introduced earlier this year, the 1,National Commission on School Finance to Meet the National Education Goals Act" which will evaluate alternative financing methods.

The Committee recognized how little information we have withinCongress on the available options and alternatives to the currentstructure within the states. Along with these hearings, theNational Commission I proposed will analyze the fundingdisparities among schools systems and provide data oncomparable spending at the local, state, national, andinternational level.

Equality of funding alone, however, has not been the answer for our schools in New Mexico. In a rural state, such as New Mexico, equality of access to quality resources—teachers, equipment, challenging and interesting material, to mention a few—remains a concern at the local and state level.

In addition, schools—already strapped for resources—are now faced with the challenge of achieving the National Education Goals. With more than 15,000 school districts—each an island in isolation—no right answer exists today which will solve all the ills of yesterday, in terms of how our educational system has found itself in such disarray.

As this Congress moves toward adoption of the National Education Goals, we must examine the "means to the end." Without an adequate financial structure to support our school systems across

the country, we cannot possibly produce students capable of meeting the national challenge. Many of the local school districts can barely provide basic school supplies or a safe environment to learn—much less afford the new resources or educational technology necessary to bring our schools into the 21st century.

I look forward to the many innovative ideas and alternatives uncovered during these hearings, and I am committed to continue the search for the most effective method of reform—so that our students and schools will, once again, become world class competitors in the search for knowledge.

Senator WELLSTONE. Mayor, thank you very much for being here. I thank you for your patience, and I apologize for the delay.

STATEMENTS OF KURT L. SCHMOKE, MAYOR, CITY OF BALTIMORE, BALTIMORE, MD; THE HONORABLE XAVIER BECERRA, A MEMBER OF CONGRESS FROM THE STATE OF CALIFORNIA; AND BILL L. TAYLOR, ATTORNEY, WASHINGTON, DC

Mayor SCHMOKE. Thank you very much, Mr. Chairman, Senator Wellstone.

I really appreciate this opportunity, and I want to thank you very much for extending the invitation to me and for focusing in on this extremely important issue.

I will summarize my statement, which I have submitted for the record

As you know, I am in somewhat of a unique position as far as mayors in this country because our charter affords me quite a strong role in public education. I appoint all the members of the school board. We do not have an elected district. The budget of the school system is a part of the local government's budget, so it is not a separate funding district. I am very much involved in the whole effort to improve the quality of public education.

I entered into office with a pledge saying that of all the things that I would be as Mayor that I would be remembered for, I would hope that the one thing would be that I would achieve the goal of making Baltimore "the city that reads." And essentially, that pledge was because I recognized that we needed to raise levels of literacy and improve elementary and secondary education so that our young people could meet the challenges of the nineties, and we would be in better shape to deal with the global competition of the next century.

I will just start by saying that defending and reinforcing urban public education has once again become a matter of national security. I say "once again," because in the early days of the cold war, President Eisenhower cited national security as the justification for the National Defense Education Act and other improvements that were made in education and for the involvement of the Federal Government in elementary and secondary education. I think that was very important for him, and it showed a great deal of wisdom to define national defense in the light of our domestic needs.

Well, the cold war is over. We are now in a period of intense global petition where low-skill manufacturing jobs are giving way to high-technology jobs. In our city, Bethlehem Steel used to be the

largest private employer. Today, Johns Hopkins University and Health System is the largest private employer.

These changes mean that we must have an educated work force, a work force that can meet the needs of the modern economy, build the tax base of our cities, design, use and produce high-technology products, compete with low-wage countries by being more creative and productive, and substitute prosperity for poverty. Those goals cannot be accomplished, however, in the educational universe that most urban public school systems inhabit, a universe of shrinking resources, neglect, and inequality.

The hallmarks of national security, in my view, in 1993 and beyond are going to be ideas, academic achievement, productivity, and tapping the potential of all young minds. That means as a Nation, we need the children of the cities, we need them to be smart, we need to believe in them and have them believe in themselves, and we need to believe they have a stake in America's future.

Unfortunately, what I have just outlined is not the direction in which we seem to be going. Let me briefly explain the problem as we face it in terms of disparities.

I have read the Jonathan Kozol book, Savage Inequalities, as have many others. In our State, the difference between what we in the city are able to spend per classroom and what the wealthiest jurisdiction is able to spend is $60,000 per year per classroom. That is because of the fact that we rely very heavily, as most urban systems do, on an antiquated system of financing, and that is heavy reliance on the property tax.

This year, if you look at the budget for our public school system, 12 percent of the Baltimore City public school system budget will be Federal dollars, direct Federal grants. About 55 percent will be State aid, and the rest will come from local sources, primarily from the property tax, whose rate of growth has flattened to one-half of one percent a year, and of course, the local income tax, whose rate of growth is down to one percent a year.

What does that mean in real terms? It means for us an inability to provide basic supplies and maintenance to the buildings and thus to provide an inviting environment for our young people to stimulate their minds. It means that we have shortages of supplies and other basic resources. It means, for our teachers in particular, that we lose our best teachers, those who have 8 to 10 years of experience, to surrounding jurisdictions, the closer-in jurisdictions, because of the fact that they are able to pay those teachers $5,000 to $8,000 more per year when they achieve that level of proficiency.

And of course, it has meant impacts on achievement. Unfortunately, our young people have not been able to achieve to the standards of some other jurisdictions, and it has had an impact on their ability to obtain positions in higher education, and of course to go on to other things, such as apprenticeship programs, community college, things of that nature.

All in all, then, you start to look at the quality of life in the cities, and clearly there is great association with the quality of education. Half of the inmates in the State's prison system come from Baltimore City. Two-thirds of our children who are economically disadvantaged qualify for free lunch and for breakfast programs. A

majority of our young people in the public school system are in a great deal of need.

Now, I recognize, as I pointed out in my testimony, that all of our problems are not just resource-related. We have got to do better. We have to—I guess the term in vogue now is "reinventing Government"—we have to reinvent the way in which we delivery educational services, and we are doing that. As you know, some of our schools have experimented with private management. We have contracted on a 5-year contract with a Minneapolis-based firm, Education Alternatives, Incorporated, to run nine of our program they call TESSERACT. We have finished the first academic year, in which they essentially take the same amount of money, average cost per pupil, that we would spend on these young people, but they manage the nine schools privately; they subcontract the maintenance and other support services. So far, the anecdotal evidence looks very good that they are having an impact both on educational achievement as well as on the business side.

Second, in our Chapter I programs this year, we contracted with Sylvan Learning Systems, a private corporation, to run some of the remedial education programs related to Chapter I. They, too, seem to have had a substantial impact.

And the final thing is school restructuring. We have run 14 of our 177 schools through a council—essentially it is school-based management run by councils of teachers, parents, and principals. This is a union-led reform movement in Baltimore, and they are showing a great deal of promise.

So we are willing to experiment, we are willing to reform, but we think that the evidence is very clear that there needs to be some bevelling of these inequalities, not bevelling down, of course; we don't want to weaken the strength of counties that are already strong, but we believe something needs to be done in the urban areas that will have an impact both on the quality of education and on the quality of life in the cities if those inequalities are eliminated.

I would submit the rest of my statement for the record, and I just want to compliment you, Senator Wellstone, on taking on this very important challenge because I do believe, as I said at the outset, that this has an impact on the quality of life for our Nation and the strength of our country as we move forward into the next century.

[The prepared statement of Mayor Schmoke follows:]

PREPARED STATEMENT OF MAYOR KURT L. SCHMOKE

MR. CHAIRMAN, I WANT TO THANK YOU AND THE MEMBERS OF THE SENATE SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES FOR THE OPPORTUNITY TO TALK BRIEFLY ABOUT EQUITY IN EDUCATION. MR. CHAIRMAN, I WANT TO START BY SAYING THAT DEFENDING AND REINFORCING URBAN PUBLIC EDUCATION HAS ONCE AGAIN BECOME A MATTER OF NATIONAL SECURITY. I SAY ONCE AGAIN BECAUSE IN THE EARLY DAYS OF THE COLD WAR PRESIDENT EISENHOWER CITED NATIONAL SECURITY AS JUSTIFICATION FOR THE NATIONAL DEFENSE EDUCATION ACT. I'M A DEMOCRAT MR. CHAIRMAN, BUT "I LIKE IKE" TOO BECAUSE HE HAD THE WISDOM TO DEFINE NATIONAL DEFENSE IN LIGHT OF OUR DOMESTIC NEEDS.

THE COLD WAR IS OVER. WE ARE NOW IN A PERIOD OF INTENSE GLOBAL COMPETITION WHERE LOW SKILL MANUFACTURING JOBS ARE GIVING WAY TO HIGH TECHNOLOGY JOBS. IN BALTIMORE, BETHLEHEM STEEL USED TO BE OUR LARGEST PRIVATE EMPLOYER. NOW JOHNS HOPKINS IS. THESE CHANGES MEAN THAT WE MUST HAVE AN EDUCATED WORK FORCE - A WORK FORCE THAT CAN MEET THE NEEDS OF A MODERN ECONOMY; BUILD THE TAX BASE OF OUR CITIES; DESIGN, USE, AND PRODUCE HIGH TECHNOLOGY PRODUCTS; COMPETE WITH LOW WAGE COUNTRIES BY BEING MORE CREATIVE AND PRODUCTIVE; AND SUBSTITUTE PROSPERITY FOR POVERTY.

BUT THOSE GOALS CANNOT BE ACCOMPLISHED IN THE EDUCATIONAL UNIVERSE THAT MOST URBAN PUBLIC SCHOOLS INHABIT -- A UNIVERSE OF SHRINKING RESOURCES, NEGLECT AND INEQUALITY. MR. CHAIRMAN, THE HALLMARKS OF NATIONAL SECURITY IN 1993 ARE IDEAS, ACADEMIC ACHIEVEMENT, PRODUCTIVITY, AND TAPPING THE POTENTIAL OF ALL YOUNG MINDS. THAT MEANS AS A NATION, WE NEED THE CHILDREN OF CITIES. WE NEED THEM SMART. WE NEED THEM TO BELIEVE IN THEMSELVES. AND WE NEED THEM TO BELIEVE THEY HAVE A STAKE IN AMERICA'S FUTURE. UNFORTUNATELY, THAT IS NOT THE DIRECTION WE ARE HEADED. AND BECAUSE IT IS NOT, OUR NATIONAL SECURITY IS IN JEOPARDY.

THE FACT IS, URBAN SCHOOLS ARE IN TROUBLE AND THE REASONS ARE NOT HARD TO FIND. IN BALTIMORE THE MAJORITY OF THE CHILDREN ATTENDING OUR PUBLIC SCHOOLS COME FROM FINANCIALLY POOR FAMILIES. MANY GROW UP SURROUNDED BY DRUGS AND VIOLENCE. AND THE ILL EFFECTS OF THOSE SOCIAL PROBLEMS ARE MADE WORSE BECAUSE OUR SCHOOLS ARE DRAMATICALLY AND DISPROPORTIONATELY UNDERFUNDED. BALTIMORE CITY SPENDS APPROXIMATELY $60,000 LESS PER CLASSROOM PER YEAR THAN THE WEALTHIEST JURISDICTION IN MARYLAND.

AND THAT IS ONLY ONE OF MANY PROBLEMS TIED TO THE FINANCIAL WHERE - WITHALL OF URBAN SCHOOLS. HERE ARE SOME OTHERS: FOR TEACHERS WITH 10 OR MORE YEARS EXPERIENCE, BALTIMORE CANNOT COMPETE IN SALARIES WITH NEIGHBORING SCHOOL DISTRICTS. WE HAVE SOME OF THE BEST TEACHERS

AND LOSE THEM AT THE PEAK OF THEIR EXPERIENCE AND PROFESSIONAL SKILLS BECAUSE WE'RE PAYING THEM $5,000 TO $8,000 LESS THAN THEY CAN EARN IN SUBURBAN JURISDICTIONS.

AND THERE ARE OTHER PROBLEMS. THIRTY-SIX PERCENT OF BALTIMORE CITY'S OPERATING BUDGET GOES TO PUBLIC SAFETY, COMPARED TO A STATEWIDE AVERAGE OF 16.9%. ON THE OTHER HAND, WE CAN ONLY AFFORD TO SPEND 23% OF OUR LOCAL RESOURCES ON EDUCATION, WHILE THE STATEWIDE AVERAGE IS 42.5%. ACCORDINGLY, WE'RE SPENDING ALOT MORE MONEY FOR POLICE AND A LOT LESS ON EDUCATION THAN OUR NEIGHBORING COUNTIES.

BALTIMORE HAS AMONG THE HIGHEST STUDENT-TEACHER RATIOS, AND AMONG THE LARGEST AVERAGE CLASS SIZE IN THE STATE. WE ALSO HAVE THE LARGEST PERCENTAGE OF SPECIAL EDUCATION STUDENTS, THE LARGEST PERCENTAGE OF CHAPTER 1 STUDENTS, AND THE LARGEST PERCENTAGE -- 2/3 OF OUR STUDENTS -- RECEIVING FREE OR REDUCED MEALS IN THE STATE. ON THE OTHER HAND, WE NOW HAVE THE FEWEST PROFESSIONAL SUPPORT STAFF - PRINCIPALS, GUIDANCE COUNSELORS AND SCHOOL PSYCHOLOGISTS - PER 1,000 PUPILS IN THE STATE.

INSUFFICIENT FUNDS AND THE EXTRA RESPONSIBILITY WE CARRY AS EDUCATOR TO SO MANY OF THE STATE'S POOR CHILDREN, HAS LEFT MANY SCHOOLS IN BALTIMORE IN NEED OF MAINTENANCE, AND SHORT OF BASIC SUPPLIES INCLUDING BOOKS, MAPS AND COMPUTERS. AS OF 1990, THE NUMBER OF STUDENTS PER COMPUTER IN BALTIMORE WAS 77 TO ONE, COMPARED TO A STATEWIDE AVERAGE OF 21 TO ONE.

MR. CHAIRMAN, LET ME EMPHASIZE THAT MONEY ALONE IS NOT THE SOLUTION TO THE PROBLEMS OF URBAN PUBLIC EDUCATION. NEVERTHELESS, LACK OF MONEY HAS ITS CONSEQUENCES. AND THOSE CONSEQUENCES ARE MOST GRAPHICALLY SEEN IN POOR ACADEMIC PERFORMANCE. LAST YEAR, THE MAJORITY OF STUDENTS IN BALTIMORE CITY MET ONLY 2 STANDARDS OUT OF 13 IN THE NEW MARYLAND PERFORMANCE TESTS. IN 1991-1992, STUDENTS IN THE BALTIMORE CITY PUBLIC SCHOOL SYSTEM SCORED SUBSTANTIALLY BELOW THE STATE AVERAGE IN THE COMPREHENSIVE TEST OF BASIC SKILLS. ALSO, THE DROPOUT RATE AT CITY SCHOOLS WAS 16%, THE HIGHEST IN THE STATE AND ALMOST 6 TIMES HIGHER THAN THE STATE STANDARD FOR SATISFACTORY.

AND PERHAPS MOST DEVASTATING TO OUR EFFORTS TO SEND MORE STUDENTS TO COLLEGE, ONLY 30% OF BALTIMORE'S GRADUATING HIGH SCHOOL SENIORS MET THE REQUIREMENTS TO ENTER THE MARYLAND SYSTEM OF HIGHER EDUCATION. MR. CHAIRMAN, IT BRINGS ME NO JOY TO SHARE THESE NUMBERS WITH YOU AND THE COMMITTEE. BUT THEY ARE THE BITTER HARVEST OF DECADES NEGLECT.

I RECOGNIZE, MR. CHAIRMAN, THAT THE FEDERAL GOVERNMENT'S ROLE IN LOCAL SCHOOLS HAS HISTORICALLY BEEN LIMITED. I ALSO RECOGNIZE, AND APPRECIATE, THAT FEDERAL AID TO EDUCATION IN BALTIMORE HAS INCREASED FROM $61 MILLION IN 1991 TO $89 MILLION IN 1994. THAT INCREASE,

HOWEVER, DOES NOT BEGIN TO REDRESS THE PROBLEMS CAUSED BY THE ANTIQUATED SYSIEM THAT MOST STATES AND LOCALITIES USE TO FUND LOCAL SCHOOLS.

IN 1994, 12% OF THE BALTIMORE CITY PUBLIC SCHOOL SYSTEM BUDGET WILL BE FEDERAL MONEY. 54.9% IS STATE AID. THE REST WILL COME FROM LOCAL SOURCES, PRIMARILY FROM PROPERTY TAXES WHOSE RATE OF GROWTH HAS FLATTENED TO ONE-HALF OF ONE PERCENT A YEAR, AND THE LOCAL INCOME TAX WHOSE RATE OF GROWTH IS DOWN TO ONE-PERCENT A YEAR.

IN OTHER WORDS, THE PRINCIPAL TOOLS THAT LOCAL GOVERNMENT NOW USES TO FINANCE ITS SCHOOLS ARE INADEQUATE AND BECOMING MORE SO. NEVERTHELESS, SINCE 1989, TOTAL LOCAL SUPPORT FOR EDUCATION IN BALTIMORE HAS INCREASED 23.8% - AN AMOUNT THAT FAR EXCEEDS THE GROWTH IN THE CITY'S TAX BASE. WE HAVE MADE DIFFICULT ADJUSTMENTS, FOUND OTHER SOURCES OF REVENUE, CUT SPENDING FOR OTHER AGENCIES, AND CUT ADMINISTRATIVE COSTS IN SCHOOL SYSTEM DRAMATICALLY. BUT WE STILL HAVE NOT BEEN ABLE TO CATCH UP. AND FAILURE TO CATCH UP MEANS DEPRIVING THE CHILDREN OF BALTIMORE THE EDUCATION THEY DESERVE.

THAT IS WHY I RECENTLY MET WITH GOVERNOR SCHAEFER TO ENDORSE HIS APPOINTMENT OF A COMMISSION TO STUDY STATE AID TO LOCAL SCHOOLS. THIS COMMISSION IS DUE TO RELEASE ITS FINAL REPORT IN NOVEMBER, AND WE HOPE THAT IT WILL ADDRESS THE INEQUITIES IN EDUCATION IN MARYLAND. BUT MY MESSAGE FOR THIS COMMITTEE IS BROADER THAN THAT. CONGRESS NEEDS TO RECOGNIZE THAT EDUCATING URBAN CHILDREN IS A MATTER OF BOTH FUNDAMENTAL FAIRNESS AND NATIONAL ECONOMIC SALVATION. WE ARE MAKING PROGRESS. THE BALTIMORE SCHOOL SYSTEM IS CHANGING FOR THE BETTER. BUT THE PRINCIPLES OF EQUITY AND FAIRNESS ARE NOT PUSHING IT FORWARD. IT IS PULLING ITSELF FORWARD IN SPITE OF BEING CHAINED TO AN ANTIQUATED SYSTEM OF FINANCING.

THAT IS WHY I URGE YOU TO INCREASE YOUR SUPPORT FOR ELEMENTARY AND SECONDARY EDUCATION. WITH LESS MONEY BEING INVESTED IN THE TOOLS OF WAR, WE NEED A GREATER NATIONAL INVESTMENT IN THE TOOLS OF GLOBAL COMPETITION. AND THE PLACE TO START IS OUR PUBLIC SCHOOLS. I ALSO SUGGEST YOU TAKE A LOOK AT THE LARGER POLICY ISSUE THAT NO CHILD SHOULD BE DEPRIVED OF THE BEST POSSIBLE EDUCATION BECAUSE OF HIS OR HER FAMILY'S INCOME OR RESIDENCE. TO THE EXTENT THAT FINANCING PUBLIC EDUCATION THROUGH LOCAL PROPERTY TAXES FOSTERS THIS KIND OF TWO-TIER PUBLIC EDUCATION SYSTEM, I HOPE THIS COMMITTEE AND CONGRESS WORK TO BALANCE OUT THE INEQUITIES.

MR. CHAIRMAN, AS I SAID, I KNOW THAT MORE STATE AND FEDERAL MONEY IS NOT THE SOLE ANSWER TO THE PROBLEMS OF URBAN EDUCATION. LOCAL GOVERNMENT, WITH SUPPORT FROM THE COMMUNITY, MUST BE WILLING TO CHANGE ITS APPROACH TO EDUCATION. WE NEED YOUR HELP, BUT THE RESPONSIBILITY IS PRIMARILY OURS. SO I WOULD JUST LIKE TO BRIEFLY MENTION THREE PROGRAMS IN BALTIMORE THAT DEMONSTRATE OUR COMMITMENT TO RE-INVENTING PUBLIC EDUCATION - TO MAKING SCHOOLS MORE ACCOUNTABLE, LESS BUREAUCRATIC, AND MORE ENTREPRENEURIAL.

THE FIRST IS RESTRUCTURING. WE NOW HAVE 14 SCHOOLS BEING RUN BY COUNCILS MADE UP OF PARENTS, TEACHERS AND COMMUNITY LEADERS. THESE SCHOOLS RETURN DECISIONMAKING TO THE NEIGHBORHOOD LEVEL WHERE THOSE CLOSEST TO THE PROBLEMS ARE THE ARCHITECTS OF THE SOLUTIONS. THIS PROGRAM IS A UNION LED REFORM.

THE SECOND INITIATIVE IS TURNING OVER THE MANAGEMENT OF 9 CITY SCHOOLS TO A PRIVATE COMPANY. THE 9 "TESSERACT" SCHOOLS ARE BEING RUN AND SUPPORTED BY EAI CORPORATION, WHICH IS BRINGING IN THEIR OWN CURRICULUM, NEW COMPUTERS, TEACHER'S AIDES, AND A SEPARATE COMPANY TO MAINTAIN AND LANDSCAPE THE SCHOOLS. THE CONTRACT IS FOR 5 YEARS AND ITS SUCCESS WILL BE CAREFULLY EVALUATED BEFORE THE PROGRAM IS EXPANDED.

THE THIRD INITIATIVE IS ALSO A PRIVATE CONTRACT. SYLVAN LEARNING SYSTEMS IS PROVIDING SPECIAL REMEDIAL SERVICES IN MATH AND READING IN SIX CHAPTER 1 ELEMENTARY SCHOOLS. MR. CHAIRMAN, OUR WILLINGNESS TO CHANGE THE WAY OUR SCHOOLS ARE MANAGED - INCLUDING WORKING WITH THE PRIVATE SECTOR - SHOWS THAT WE ARE BEING INVENTIVE. WE ARE LEARNING TO DO MORE WITH LESS. WE ARE TRYING TO MAKE THE INEQUALITIES LESS SAVAGE. AND I THINK THE SAME IS TRUE IN MOST OTHER LARGE CITIES. BUT WE NEED YOUR HELP, AND THE HELP OF OUR STATE OFFICIALS.

URBAN PUBLIC EDUCATION IS NOT A LOSING CAUSE, A HISTORICAL ARTIFACT OR A COSTLY WASTE OF MONEY. IT IS VITAL TO OUR ECONOMY, AN INSTRUMENT OF SOCIAL JUSTICE, AN INVESTMENT IN LESS CRIME, AND THE LAST BEST HOPE FOR MILLIONS OF HARD WORKING, ACADEMICALLY GIFTED CHILDREN. THAT IS THE VIEW FROM LOCAL GOVERNMENT, AND I HOPE IT IS A VIEW THAT THIS COMMITTEE AND ALL OF CONGRESS WILL ADOPT.

THANK YOU.

Senator WELLSTONE. Thank you, Mayor. Again, I want to mention that I know—and I am sure I'll leave names out—but I know that Senator Dodd is intensely interested in addressing the same question, as are Senator Simon, Senator Bingaman, Senator Pell—there are a number of other people. So I just would say to you all that there are many different subcommittees that are meeting right now, so there is more interest than one, and I know we will follow up.

Mayor, I am going to have some specific questions, but I wonder if we could go forward with all the testimony, and then I could put questions to all of you.

Mr. Taylor, with your permission, I'll move to Congressman Becerra, if that's okay.

Congressman, thank you very much for being here. For those who do not know Congressman Becerra, he was elected to the Congress in November of last year and represents the 30th Congressional District, which is right in the heart of Los Angeles. We have had a chance to meet. I really believe in you, Congressman, and I'm glad you are here.

Mr. BECERRA. Thank you, Senator. I could say the same thing about you. I do believe in the work that you have done, Senator Wellstone, and I do appreciate the opportunity to be here to testify before the committee on the issue of equity in education.

Although they are absent, I want to make sure I do mention Chairman Pell and Chairman Kennedy, and the ranking members, Senator Jeffords and Senator Kassebaum, for the work that they have done on this particular issue as well.

In fact, I wanted to thank Senator Pell personally for my chance to go on to Stanford University and benefit from Senator Pell's work.

I know, Senator, that you have been very concerned about the administration's legislation, Goals 2000, Educate America, when it comes to the inputs and outputs, and questions about how we finance our schools and provide equity to all our students. I should mention that today in the U.S., the future of most children is still determined by where they live and whom they are born to. This stark truth confronts you whether you are looking across the street, across town, or across this Nation.

My wife Carolina and I are reflecting on this truth more and more these days. Our first child, Clarisa Isabel, was born just 3 months ago. If we could move the clock forward about 5 years, Clarisa would be entering kindergarten at nearby Eagle Rock Elementary School near my home in Los Angeles. The school has 743 students and sits on 5 .3 acres of property; 3.1 of those acres are reserved for playgrounds and athletic fields. Eagle Rock does not track its students into rigid academic proposals, and it has a very good reputation in Los Angeles.

If we lived, say, in the community of Boyle Heights, just 10 minutes away and also in my district, Clarisa might attend Sheridan Elementary School, which has 1,262 students, twice as many as Eagle Rock. Sheridan has fewer acres, 4.9, and only 2.2 acres are reserved for playgrounds and athletic fields. Sheridan does track its students.

These two schools are less than 10 miles from each other, but they are worlds apart. Few if any of us in Congress would have to worry about choosing between an Eagle Rock or a Sheridan School for our children, but in every poor rural and urban area in this country, we have children attending schools that we in this room would not allow our children to set foot in.

Let me share with you what I have seen happen in my home State of California since I last attended public school. In the 1975-76 school year, my senior year in high school, the State of California ranked 18th out of 50 States in educational expenditures. By 1991-92, California ranked 36th.

What happened? What made this change occur? Well, 4.1 million students in 1976 attended our schools; that was up to about 5.1 million in 1992. The number of poor school age children has grown from approximately 650,000 in 1980 to almost 900,000 in 1990. California's number of poor school age children alone is greater than the total school age enrollment of 30 different States. The number of disabled children almost doubled, to approximately 540,000 this year, and the number of limited English-proficient, LEP, children has virtually tripled since 1976 to nearly one million.

California has the second-worst student-teacher ratio in the country. We have about 23 students per teacher. That compares to the national average of about 17.

In California, we need more than $11 billion just to repair and renovate our existing schools, and our State would have to build 20 new classrooms and hire 20 new teachers a day for the next 6 years just to keep pace.

California's school financing system has undergone extraordinary transformation over the past 20 years. I think that is very clear. There has been a dramatic shift away from local funding and local control to State revenues and control by the legislature and the Governor.

There are three major components to this change: 1) the landmark Serrano v. Priest legal decision overturning the State's property tax-based school finance system; 2) the passage of the Proposition 13 property tax limitation in 1978, and 3) the voter approval in 1988 of Proposition 98's minimum funding guarantee for education.

What has been the effect of these actions? On the positive side, it has moved us toward education funding equalization. Ninety-five percent of California's students attend schools in districts where the funding per student is approximately the same within about a $280 differential. Another major change, of course, is that now education funding in California is controlled by the State legislature and the Governor.

While equalization has been successful in certain respects, interdistrict equity across the State does not necessarily translate into student or school equity. The 1986 class lawsuit against the Los Angeles Unified School District, LAUSD, illustrates this point.

The suit claimed that the LAUSD had allocated more basic resources per child to nonminority schools, primarily those in the affluent west side of town, than to predominantly minority inner-city schools on the east side and south central areas of Los Angeles. Students in minority schools were going 6 months without a per-

manent teacher. Some schools in my district which were built to house 600 students had enrollments of over 1,000 students.

A settlement was reached just last year. LAUSD has agreed to equalize the basic resource expended per student by the 1997-98 school year.

School equity is not an easy issue to grapple with; I think we are all certain about that. Equalization, while a partial improvement, is not necessarily a panacea for what ails education. We need to shift the paradigm, in my opinion, and look at education in much the way we have looked at other services, for example, health care. While I don't proposed that we adopt our current health care model, education should be regarded as a service that will treat the ailments of all of our students.

We are fooling ourselves if we believe that simply equalizing the amount of money we spend to each student is equitable. To be fair, in the past, Congress has recognized the inherent inequitable allocation of resources. Some of the people in this Senate subcommittee deserve much of the credit for seeking a cure. Unfortunately, the Federal share of education funding has declined from almost 11 percent in 1979 to about 6 percent today.

The United States now ranks 13th among the 23 wealthiest industrialized nations in public spending on education. We need to shift the paradigm, and we need to begin working toward providing children with the resources they require, based on their relative need. We would define "equity" as the allocation of funding to meet individual educational needs, not just matching dollar amounts for students in poor and wealthy districts. This is why the issue of "opportunity to learn" standards is so critical. If we cannot agree on a measurement of what a school must input in order for its students to succeed, how can we establish national standards to determine the students' level of success—the outputs?

I also believe we cannot run away from the issue of inputs versus outputs as we debate school reform. We cannot seek the high standards proclaimed in the "Goals 2000" legislation when we do not provide a foundation to meet them. We have to be honest with the American people and hold ourselves and all elected officials accountable. Make no mistake—if we invest our education dollars wisely in less affluent areas, we can be successful.

Just look at three high schools in Los Angeles, two of which are in my district—Bravo Medical Magnet and Roosevelt High—and one school, El Camino High, in a northwest suburb of Los Angeles. Bravo and Roosevelt are in the same community, a stone's throw apart. Bravo Medical Magnet has approximately 1,500 students, 90 percent of them minority. It opened in 1990 to serve students interested in the field of medicine. LAUSD spends about $5,800 per Bravo student. Last year's standardized test scores were 10 to 15 percent above the State average in math, reading and langauge. There were a total of eight dropouts, 144 suspensions, and two students suspended from Bravo last year.

Roosevelt High has approximately 3,800 students, 98 percent of whom are Latino. It opened in 1923. LAUSD spends about $4,100 per student. Roosevelt students score 10 to 30 percent below the State average. Last year, there were 812 dropouts, 300 suspensions, and 7 expulsions at Roosevelt.

About 20 miles away, in the affluent community of Woodland Hills, is El Camino High School. There are approximately 2,900 students, 55 percent minority. LAUSD spends about $4,700 per student. Students scored 10 to 23 percent higher on standardized tests than the average statewide. Last year, there were 198 dropouts, 504 suspensions, and one student expelled at El Camino.

The old adage still applies: You can pay me now, or you can pay me later. Keep in mind that 80 percent of California's inmates are school dropouts. The State spends less than $5,000 to keep a student in high school and over $33,000 to keep that same young person locked up behind bars. It costs $24 million in California to build a high school and about $240 million to build a penitentiary.

We all know money is tight for all Federal programs, and the current fiscal environment will not change dramatically in the near future. Chapter I is a perfect example. Rather than increasing the pot of money to help all poor children nationwide, we will be pitting high-growth States against low-growth States in game of education poker. We must be frank with the American people about education. If we are to make a real attempt at education reform in this country, we need to talk about significant increases in our Federal commitment to education, perhaps returning to the Federal share of 12 to 15 percent of all educational spending.

The issue of equity in education has been analyzed, debated and rehashed laboriously. I hope someday my child, your child or grandchild, America's child will be able to walk into an American classroom and be able to receive a quality education.

Thank you, Senator Wellstone and members of the subcommittee for the opportunity to come before you.

[The prepared statement of Mr. Becerra follows:]

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PREPARED STATEMENT OF REPRESENTATIVE XAVIER BECERRA

Good morning. I am honored to be here today to testify before the Senate Education, Arts, and Humanities Subcommittee on the subject of equity in education. As a freshman member of the House Education and Labor Committee, I appreciate the opportunity to share my perspective on perhaps the most critical issue facing federal education policy-makers today.

Before I begin I'd like to thank Chairman Pell and Chairman Kennedy, and Ranking members Senator Jeffords and Senator Kassenbaum, as well as Senator Wellstone and the other members of the subcommittee for their efforts in holding hearings on the issue of school finance and equity. Senators Kennedy and Pell have a long history of activism in education, and I understand Senator Wellstone and the rest of the subcommittee have been very concerned about the issue of school finance in the context of the Administration's Goals 2000: Educate America legislation currently before Congress.

In some ways it is a reflection on the sad state of American education that we need to discuss school equity. Today, in the United States, the future of most children is still determined by where, and to whom, they are born. This stark truth confronts you whether you are looking across the street, across town, or across this nation.

My wife, Carolina, and I are reflecting on this truth more and more these days. Our first child, Clarisa Isabel, was born three months ago. We live in the community of Eagle Rock, within the city of Los Angeles. If we could move the clock forward five years, Clarisa would be entering kindergarten at nearby Eagle Rock Elementary School next month. This school has an enrollment of 743 students and is fairly diverse, with a Latino majority, but also substantial numbers of Caucasian, Asian, and African-American students. The school is on 5.3 acres, of which 3.1 are playgrounds or athletic fields. Eagle Rock Elementary receives magnet school and gifted education funds, it does not track students, and it has a very good reputation.

If we lived, in say, the community of Boyle Heights, just 10 minutes away and also in my district, Clarisa might attend Sheridan Elementary School. This school has an enrollment of 1,662 students. For a school that serves over twice as many students as Eagle Rock, Sheridan has fewer acres, 4.9, and only 2.2 acres are for playgrounds or athletic fields. Sheridan tracks its students and receives Chapter 1 and State School Improvement funding. These two schools are less than 10 miles from each other, but are worlds apart.

Few, if any of us, in Congress would have to worry about choosing between an "Eagle Rock" or "Sheridan" school for our children. But in every poor rural and urban area in this country, whether it's in Roxbury, Massachusetts or the Santo Domingo Indian reservation in New Mexico, whether it's in Garden City, Kansas or the south side of Chicago, we have children attending schools that we in this room would not allow our children to step foot into.

Let me share with you what I have seen happen in my home state of California since I last attended public school. In the 1975-76 school year, my senior year in high school, the state of California spent $1,457 per student compared to the national average of $1,441. California spent $16 more than the national average and ranked 18th out of 50 states in educational expenditures.

In the 1991-92 school year California spent $4,686 per student compared to a national average of $5,466. California spent $780 less per student than the national average and ranked 16th.

How did things get this bad? What has changed since I was last in the California public school system? We had 4,380,400 students in 1976, while in 1992 we had 5,107,145. The number of poor school-age children in my state has grown from 647,040 in 1980 to 894,202 in 1990, accounting for 60 percent of the growth in poor children nation-wide over the last decade. California's number of poor school-age children alone is greater than the total school-age enrollment of 30 different states. Special education needs have grown as the number of disabled children grew from 332,291 in 1976 to approximately 540,000 this year. The need for bilingual programs continues as the number of limited English proficient (LEP) children has virtually tripled from 332,291 in 1976 to 986,462 in 1991.

Today, California has the second worst student-teacher ratio in the country, 22.8, compared to a national average of 17.2, while overall the average class size is over 28 students. Our schools and resources will continue to be strained since our school-age population is growing at a rate of 200,000 per year. It is estimated that California needs over $11 billion just for repairs and renovations to existing schools and that we would have to build 20 new classrooms and hire 20 new teachers a day for the next 6 years just to adequately serve California's growing student population. Of these new students, many will come to school with significant barriers to learning. More than 25 percent will come from families living in poverty and almost 20 percent will speak little or no English.

California's school finance system has undergone an extraordinary transformation over the past 20 years. There has been a dramatic shift away from local funding and local control to state revenues and control by the Legislature and the Governor. The three major components in this change have been the landmark Serrano v. Priest legal decision overturning the state's property-tax-based school finance system, the passage of the Proposition 13 property tax limitation, and the voter approval of Proposition 98's minimum funding guarantee for education.

The 1971 California Supreme Court ruling in Serrano v. Priest found unequal education funding in the state with high spending in wealthy property tax districts and low education spending in poor property tax districts. The Court held that California's school finance system violated the State's constitution. Actions by the legislature and a series of further court decisions resulted in the state implementing a requirement in 1974 that per pupil expenditures per district be within a $100 "band" statewide. This requirement still exists, revised and adjusted annually for inflation. All school districts must fall within a $280 per student statewide expenditure "band" for the 1992-93 school year.

I'm sure most of you are somewhat familiar with the California voter rebellion against property taxes in the late 1970's which resulted in the passage of Proposition 13 in 1978. Prop 13 limited all property taxes to 1% of market value, prohibited state and local governments from passing any new property taxes, and made it much harder for state and local governments to raise any type of taxes.

Since 1978, California has had to replace lost revenues from property taxes with general state revenues. The burden of financing schools was passed from the locality to the state. All of a sudden education had to compete for funding at the state level with everything else.

California's education system was now at the mercy of the economic cycle. Property taxes are relatively stable, but with education dependent on general revenues, a bad economy meant less money for schools. The change was dramatic. Between 1977-78 and 1978-79 the local percentage of education revenue for school districts went from 50.7 percent to 23 percent, while the state percentage went from 38.1 percent to 62.5 percent. According to the most recent statistics from 1990-91, the state contributes about 64 percent, and locals about 30 percent. Incidently, the federal share has plummeted from 11.2 percent in 1977-78 and 14.5 percent in 1978-79 to about 6.5 percent in 1992-93.

I should note that California, like a number of companion states, voted in a state lottery during the 1980's. The lottery marketed as a revenue pit for schools. Lottery revenues, however, are not the most stable source of funding. The lottery has never amounted to more than 2-4 percent of California's total education spending. In effect, the lottery serves as a tax on the poor, and an inefficient one at that given that 66 cents on every dollar never reach our schools.

The final major component was the 1988 voter referendum on Proposition 98, which mandated that the state spend the higher total of either 40% of state revenues on education or the sum of the previous year's education spending plus a percentage increase based on increased enrollment and per capita income. Contrary to Prop 98's intent, it has acted as a ceiling rather than a floor for education spending.

What has been the effect of these actions? On the positive side, it has moved us toward education funding equalization statewide. Roughly 95% of students in the state attend schools in districts with revenue limits within the "band" prescribed by Serrano, currently around $280 per student. And of the 5 percent not within the "band", most are funded above the median level. California has had some success in narrowing the gap and helping many of its poorest school districts.

Another major change is that now education funding in California is controlled by the state legislature and the governor. No longer do local school boards go to the voters to ask to raise revenues for schools.

While equalization has been successful in certain aspects, inter-district equity across a state does not necessarily translate into student or school equity.

In 1986 in Los Angeles, the Mexican-American Legal Defense and Education Fund (MALDEF) filed a suit on behalf of several parents against the Los Angeles Unified School District (LAUSD). The suit claimed that LAUSD had allocated more basic resources per child to non-minority schools, primarily those on the more affluent west side of town, than to predominantly minority inner-city schools on the east side and in the south central area of Los Angeles. Basic resources were defined as including janitorial services, maintenance of buildings and facilities, and teacher and administrative salaries. Basic resources are separate from Chapter 1 funds or other state and federal formula or categorical funding.

MALDEF claimed that LAUSD was sending its more experienced and higher salaried teachers to non-minority schools, while inner-city schools received younger, less experienced, lower paid ones. There were examples of students in minority schools going six months without a permanent teacher, receiving a steady flow of emergency credentialed teachers or substitutes for 2-3 week

periods at a time. Some schools in my district built to house 600 students had enrollments of over a 1000 students. Infrastructure and facilities were inadequate in many inner-city schools.

A settlement was reached in 1992 in which LAUSD agreed to equalize the basic resources expended per student among all 800 schools within 5 years, or by the 1997-98 school year. It also required a cap on enrollment to reduce overcrowding and an end to the migration of the least experienced teachers to the poorer schools. It remains to be seen whether the conditions of the settlement will be met and whether students from the majority minority areas in the east side, including my district, and from south central Los Angeles will have access to similar teaching, facilities, and basic services as those students in more affluent, non minority parts of the city.

This is not an easy issue to grapple with. Student equity and school finance issues have been debated in courts and state legislatures, not only in the state of California and in the city of Los Angeles, but in states as different as Texas and Kentucky and currently in Connecticut.

We can see from the California case that equalization, while an improvement, is not necessarily a panacea for what ails education. I would argue that we need to change the way we view equity in education. We need to shift the paradigm and look at education much the way we look at other services, health care for instance. We do not give each person a $1000 dollars for health care each year and then say we are finished spending money on this individuals's health care needs. If the person had used $980 and then became seriously ill, would we deny her the care she needed because she had exhausted her predetermined allocation? Of course not. We recognize that one person may require an operation which costs $7000, while another person may only need medicine and a visit to the doctor worth $75.

Why do we define equity in education differently, basing it on some common dollar figure rather than taking into account the relative needs of individual children? We are fooling ourselves if we believe simply equalizing the amount of money we send to each school per student is equitable.

To be fair, in the past Congress has recognized the inherent inequitable allocation of resources to certain populations of school children. In fact, some of the people on this Senate subcommittee deserve much of the credit for the federal government's attempts to level the playing field. The Chapter 1 program within the Elementary and Secondary Education Act annually sends around $6 billion dollars to poor students nationwide. When Congress designed a program like Title VII, the Bilingual Education Act, which sends money to schools with large populations of limited English proficient students, it acknowledged the special needs of these students.

Unfortunately the federal share of education funding has declined from almost 11 percent in 1979 to 6 percent today. According to The Washington Post (9/24/92), the United States ranks thirteenth among the twenty-three wealthiest industrialized nations in public spending on education.

Despite what some might say, there is a direct correlation between funding and achievement. A recent study by the Educational Testing Service (ETS), The State of Inequality, found lower NAEP (National Assessment of Educational Progress) test scores in those classrooms in which teachers reported a lack of adequate materials. In schools with poverty levels higher than 30 percent, almost 60 percent of the teachers had only "some" or

"none" of the instructional materials they needed. The study also found that between 40 and 50 percent of students in disadvantaged urban areas reported a lack of resources.

We need to shift the paradigm and begin working towards providing children with the resources they require based on their relative need. Each child, relative to his or her educational needs, ought to be provided sufficient revenues to meet these needs. Thus, we would define "equity" as the allocation of funding to meet individual educational needs, not just matching dollar amounts for students in poor and wealthy districts.

All of us who are elected officials know or should know the surest route to better schools: increased funding. It would be disingenuous for me to sit here without acknowledging that we do not send enough money to our poorest schools. Would any of us in good faith enroll our own children in some of the schools which our constituents' children must attend?

Things won't change, and we know they won't, if action isn't taken from the top and priorities set by strong visionary leaders. This applies equally to school boards, state and local governments, and those of us at the federal level.

We have seen a school reform movement gather steam since the early 1980's. But is it any surprise that our schools have been going downhill as federal spending has dropped precipitously during this same period? We can talk all we want, but let's try to be honest and speak the truth. Congress as a whole and recent administrations have not made education a priority and have slowly retreated from a strong federal role.

This is why the issue of "Opportunity to Learn" standards is so critical. If we cannot agree on a measurement of what a school must "input" in order for its students to succeed, how can we have national standards to determine the performance quality of America's students -- the "outputs"?

We cannot run away from the issue of "inputs versus outputs" as we debate school reform. We cannot seek the highest standards proclaimed in "Goals 2000" when we do not provide a foundation to meet them. We have to be honest to the American people and hold ourselves, Governors, state legislators, and school board members accountable.

Make no mistake, if we invest our education dollars wisely in less affluent areas, we can be successful. Just look at three high schools in Los Angeles: two schools in my district, Bravo Medical Magnet, and Roosevelt High, and one school, El Camino High, in a northwest suburb of Los Angeles.

Bravo and Roosevelt are in the same community, a stone's throw apart, but with very different profiles. Bravo Medical Magnet has 1,457 students, 91.4 percent of them minorities and over 50 percent Latino. It opened in 1990 to serve students interested in the field of medicine. LAUSD spends $5848 per student and last year's standardized test scores were 10-15 percent above the state average in math, reading and language. There were a total of 8 dropouts, 144 suspensions and 2 students expelled from Bravo last year.

Roosevelt High School, on the other hand, has 3,775 students, 98 percent of which are Latino. It opened in 1923 and LAUSD spends $4117 per student. Roosevelt students scored 10-30 percent lower than the state average. Last year there were 812 dropouts, 300 suspensions and 7 expulsions at Roosevelt High School.

About 20 miles away, in the affluent community of Woodland Hills is El Camino High School. El Camino has 2,866 students, 55 percent minority and 45 percent Caucasian. LAUSD spends $4702 per student, and students here scored 10-23 percent higher on standardized tests than the state average. There were 198 dropouts, 504 suspensions and 1 student expelled from El Camino High School last year.

The old adage applies: pay me now or pay me later. Keep in mind that 80 percent of California's inmates are dropouts. The state spends less than $5000 dollars to keep a student in high school and over $33,000 to keep that same young person locked behind bars. It costs $24 million to build a high school and $240 million, or 10 times as much, to build a penitentiary to hold an equal number of bodies. We think this saves money in the short run, but really we are passing a far higher cost on to our children.

These are not easy decisions we are faced with in Congress. We all know money is tight for all federal programs, and the current fiscal environment will not change dramatically in the near future. We are dealing with the same basic funding levels and an increased need. Chapter 1 is a perfect example. Due to the population shifts shown by the 1990 Census, we will see regional winners and losers. How much each region will gain or lose will boil down to politics. Rather than increasing the pot of money to help all poor children nationwide, we will be pitting high growth against low growth states in a game of education poker.

We must be frank with the American people about education. Like most difficult tasks worth doing, it will take sacrifice and money. If we are to make a real attempt at education reform in this country, we need to talk about a significant increase in our federal commitment to education, perhaps returning to the federal share of 12-15 percent of all education spending. Then, the states and their schools must -- not may -- make commensurate commitments to their students.

The issue of equity in education has been analyzed, debated, and rehashed laboriously. Why must it take the flames of neglect and wasted futures to ignite us into action? I hope someday, my child, your child or grandchild, America's child will be able to walk into America's classroom and receive a quality education.

Senator WELLSTONE. Thank you, Congressman.

I will ask Mr. Taylor to testify now, and Congressman, if you do need to leave, we will understand; if you can stay, that's fine.

Mr. BECERRA. I can remain, Senator.

Senator WELLSTONE. Mr. Taylor.

Mr. TAYLOR. Good morning, Mr. Chairman.

I want to add a word to those of my colleagues on this panel, of congratulations to the chair, particularly for the role you have played in getting these hearings going. I know, as you have said, there are many members of the committee who are interested in the issue, but I think it was very important to focus attention on it, and I think you are already building a record in these hearings that will compel the attention of a number of other legislators.

Senator WELLSTONE. Well, if I could interrupt, I would thank you, but I will say to everyone here that those words are much appreciated and mean a lot to me given the fact that Bill Taylor has probably been at this as long as anyone I know and has as great a commitment as anyone in this country, as a lawyer and going back to your work with Thurgood Marshall to right now. So thank you for saying that.

Mr. TAYLOR. Well, thank you.

Let me say that I am here this morning testifying as to my own views rather than for any organization, but many of the things I will say are reflected in and reflect the work of an independent commission on Chapter I which made a report at the end of last year entitled, "Making Schools Work for Children in Poverty," which has a good deal about equity in it. So if it is appropriate, I'd like to make that a part of the record of these hearings.

[The document referred to may be obtained from the American Association for Higher Education.]

Mr. TAYLOR. I will now summarize my testimony briefly.

As Congressman Becerra said, this is not a new issue that we are dealing with. It arose in California in the sixties. But I think there have been two developments since the 1970's that have made school finance reform a matter of urgency that really deserves the highest priority attention from the Congress.

The first development is that despite efforts that have been made in some States, in many States, property wealth disparities and spending disparities have just grown enormously over the last 20 years. I cite in my testimony the districts that are always used in the Texas litigation, the Edgewood district and the Alamo district, as the poorest and the wealthiest. The figures are in there, but the short of it is that the gap between the poorest and the wealthiest districts in Texas has grown more than 10 times over a period of less than 20 years. So it now stands at $38,854 in Edgewood, and $570,109 in back of each child in the Alamo district.

We also have some examples from Maryland, and the Mayor has already spoken about that. Our figures indicate that the difference between the highest and lowest spending districts in Maryland is about $75,000 per classroom in the State.

So we have this growing inequity.

The second development is that I think it may have been fair in the 1970's for people to ask whether money truly makes a difference in educational outcomes, but now there is a solid body of

research that demonstrates the kinds of expenditures that really do make a difference. And again, I have cited some of that in my testimony, and I have appended I think a particularly helpful report by Robert Slavin of Johns Hopkins on this subject.

In a report that my colleague Dianne Piche and I did for the House Committee on Education and Labor in 1990, we tried to synthesize some of this research. Basically, it identified a number of areas. One was preschool, and I think you are familiar with the research on Head Start and some of the other associated research. A second initiative had to do with reading programs in the early grades. A third had to do with establishing small classes, and if they can be small enough, 15 or less, they have a particularly useful advantage for children who are poor and minority.

Another area was establishing a broad curriculum and providing access for all children to that broad curriculum. And the last one I would mention which is particularly important, as you know, is having experienced and well-trained teachers, teaching in their areas of specialization.

In each of these areas, as you go from State to State—and again, we have cited examples in the testimony—you will find gross and sometimes shocking disparities in what property-poor districts are able to put forward and what property-wealthy districts have. So money itself may not make a difference, but the services that money can buy can make an enormous difference in the lives of children.

The other thing that one, of course, could conclude from looking at the data is that the chief victims of this archaic system of financing schools are poor and minority children, because they are disproportionately located in property-poor districts. And even in those instances where they re located in cities with some property wealth, you have cost differences which drive the costs of education higher, and you have what is sometimes called "municipal overburden," demand on the resources that are available to the city to meet a whole host of other social needs that exist in the jurisdiction.

So that is the factual picture we lay out. There are some people around who believe that education reform can be accomplished without confronting the issue of equity, and that if we set standards for all that are high, and that if we dispense a rhetoric of high expectations, children will somehow achieve even if the resources have not been made available. The realities, we believe, are otherwise.

It is really hard to imagine that large numbers of topflight teachers, no matter how committed they are, will be attracted to, will stay, and will thrive in places like Camden and Baltimore, if not only are their salaries depressed as compared to suburban teachers, but they lack the resources that we have been talking about—preschools, social services, counseling in the schools, reading programs, small classes that they need to succeed in their work.

Some people have asked whether Congress is the appropriate branch of Government to address this issue and whether Chapter I is the appropriate vehicle to us. We believe the answer to both questions is yes.

No issue is more central to the Federal role as it has been expressed in the civil rights laws, as it has been expressed in the Federal aid to education laws of assuring equal educational opportunity to minority and economically-disadvantaged students than is this fiscal equity issue. Congress has the responsibility and the authority under section 5 of the 14th Amendment to enact legislation to secure the equal protection of the laws for children, and that's what this issue is all about. And Chapter I, as the largest Federal aid program to elementary and secondary schools, is the right vehicle, I believe.

In fact, until Congress does address the issue of fiscal inequity, Chapter I will not achieve its purposes. Congress would like to believe that Chapter I provides special aid for the needs of economically disadvantaged children. But that notion is built on the fiction that Federal aid is built on top of a level playing field. Until that fiction is made a fact, in poor districts, Chapter I is deployed only to engage in a losing game of catch-up. To have the 6 percent Federal funds, or the 8 percent or 12 percent only partially meet the gap between the high property wealth districts and the low property wealth districts.

Now, I know you are interested in what the solutions are. I think the prime approach should be to take an approach that already is in Chapter I, that of comparability of services within a district, and extend it to include comparability of services among districts. That has worked reasonably well in Chapter I for almost 30 years, and there is no reason why it should not work well if it is applied on a statewide basis.

A second approach, which is also in the commission's Chapter I report, asks each State to establish basic standards on the services that must be delivered at each public school. These standards, the "opportunity to learn" standards, would not guarantee equality of opportunity, but they would establish a floor so that students even in the poorest districts would have an opportunity to succeed.

Of course, for these standards to work, they would have to be a requirement, not merely an option, because if they are simply an option, you can be sure we will be back here talking about great disparities in districts and a lack of basic resources 2, 3, 4 years from now.

Finally, I would acknowledge to you something that you already know very well, and that is that reaching a solution on this issue poses a major political challenge. But in the 30 years that I have spent here, working on legislation, I should say nothing important has ever been accomplished that did not appear difficult if not impossible at the outset. And I think the time on this issue is ripe. A few State courts have shown the way. I am convinced, because I have talked to some of them, that there are educators and other public officials throughout the country who know how badly reform is needed, who can't accomplish it at the State level and who are waiting for some higher authority to tell them what they must do and what they know is right. And in that respect, it really does resemble school desegregation and other civil rights issues of a number of years ago.

The educators knew it was right. They knew it had to come. They knew it was sound educationally. But they needed the Fed-

eral Government to tell them, through the Civil Rights Act of 1964 and Title VI, that it must be done.

The issue is here now. I think a growing number of groups are seeing this as a fundamental equal protection issue. The NAACP adopted a strong resolution on this issue at its convention last month. The Mexican American Legal Defense Fund has drafted proposed legislation that covers this issue. The business community, interestingly enough, and the National Alliance of Business, are seeing this as an issue that is very important to take on.

So as formidable as the issue may seem, I think there is a gathering momentum on it, and I think these hearings will move us forward in the quest for equal protection of the laws.

Thank you, Senator.

[The prepared statement of Mr. Taylor follows:]

STATEMENT OF WILLIAM L. TAYLOR

Introduction

Good Morning, Senator Wellstone. I am William L. Taylor. I am engaged in the private practice of law in Washington, D.C. specializing in litigation and other forms of advocacy on behalf of children. I am also an adjunct professor of law at Georgetown University Law Center, where I teach a course on the law of education and equal opportunity, and I serve as Vice Chair of the Leadership Conference on Civil Rights and as Vice Chair of the Citizens' Commission on Civil Rights. In addition, I am the author, along with my colleague Dianne M. Piché, of Shortchanging Children: The Impact of Fiscal Inequity on the Education of Students at Risk, a report commissioned in 1990 by the House Committee on Education and Labor. Over the past several years, I have had the privilege to serve as counsel to an independent Commission on Chapter 1, a 28-member panel of distinguished leaders in education and child advocacy. Although I testify today in my individual capacity, much of my testimony is drawn from the Commission's recent report entitled Making Schools Work for Children in Poverty, which includes a comprehensive set of recommendations for the reauthorization of Chapter 1 of the ESEA.

As a preliminary matter, I should say that I am a relatively recent convert to the movement to address the issue of resource disparities among our schools. Like many in the 1960s, I was skeptical that money alone--given pervasive conditions of racial and economic isolation--could make a difference. But two things have become clear now that were not necessarily evident in the 1960s and 70s when the movement for school finance reform had its beginnings.

First, it is now clear that the spending disparities among districts, as well as among the 50 states, have widened not narrowed since the Supreme Court's 1973 decision in San Antonio v. Rodriguez.[1] For example:

- At the time of Rodriguez, the property-poor Edgewood district, with a minority population of 96%, had property with an assessed valuation of $5960 per pupil. The property-rich Alamo district, with a 19% minority population, had an assessed valuation of $49,000 per pupil. By the end of the 1980s, when the Texas school finance system was litigated in state court, Edgewood had increased in property wealth from $5960 per student to $38,854; Alamo, meanwhile, had increased from $49,000 per pupil to $570,109.[2] In other words, the per pupil gap between the two districts had increased from 43,000 to more than 531,000 dollars in less than 20 years.

- The property-wealthy districts of Montgomery County and Baltimore County, Maryland, spent $5,644 and $4,943 per pupil respectively in 1986-87. During the same period, the poorer districts of Baltimore City and Caroline County spent $3,640 and $3,397 each per pupil. By 1992, the difference between the highest and lowest spending district was over $3,000, or $75,000 per class of 25 students.[3]

Second, we now know a great deal more than we did a generation ago about educational expenditures that make a difference for disadvantaged youngsters. Some have argued that channeling more money into poor school systems will not have any significant impact on educational outcomes. However, there is a growing body of research -- including that of Dr. Ronald Ferguson from Harvard whom you heard from last week, and Dr. Robert Slavin from Johns Hopkins University-- whose article, "After the Victory: Making Funding Equity Make a Difference"[4] I am appending to the testimony -- that makes clear that investments of educational resources can make a major difference in the life chances of children, especially poor children.

What kinds of expenditures do make a difference? Let me highlight a few, drawn from the research Dianne Piché and I reviewed for the House Education and Labor Committee in Shortchanging Children, and in part from Making Schools Work:

- Preschool and other early childhood development programs.
- Programs like "Success for All", developed by researchers at Johns Hopkins University, and "Reading Recovery", which have shown success in preventing reading failure and rentention in the early elementary grades.
- Small classes, particularly for children from low-income families.
- A broad, challenging curriculum in by subjects, including mathematics, science, and languages.
- Experienced teachers assigned to teach subjects in which they have been well-trained.
- Adequate supplemental services, including counselors and social workers.

In Shortchanging Children, we concluded that these vital programs and services are routinely denied to children who live in the poorest school districts. For example:

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- Preschool. A number of the poorest districts in Texas could not participate in a state-funded preschool program because they lacked facilities and matching funds. In Maryland, the vast majority of children in affluent Montgomery County had the opportunity to attend either public and privately sponsored preschool programs while in Baltimore City at least half the children did not attend preschool.[5]

- Programs to prevent early reading failure. While reading programs in the early grades appear critical to a child's school success, the availability of such programs appears dependent on school districts' wealth. In Maryland in 1979, 70 percent of the third-grade children in the property-poor district of Baltimore City had below-level reading scores while only 7 percent of the children in the wealthy district of Montgomery County fell below grade level in reading. Yet the wealthier district was able to provide a special reading teacher for those few students having reading difficulties, while the property-poor districts could not afford an additional teacher. There were few, if any, remedial or compensatory services available in the poor districts.[6]

- Class Size. In Montana, teacher student ratios in wealthy districts were as low as 1:13, while in poorer districts they were in the twenties or low thirties.

- Teachers. In wealthy districts in Pennsylvania, New York, Maryland and New Jersey, court records showed teachers were better trained and had more experience than those in the poorest districts in these states. Courts also have found teachers were paid better in wealthier districts in Kentucky, Maryland, and elsewhere.

- Curriculum. In the wealthy Princeton, New Jersey, school district, there was 1 computer for 8 children, while the city of Camden's schools had 1 computer for 58. In Texas, many poor Texas districts offered no foreign language, chemistry, calculus, college preparatory or honors program.[7]

- Services like counselors and social workers. Despite greater student needs, property-poor districts are lacking sorely in the availability of social services and counseling programs compared with the high-wealth districts. In Edgewood, the Texas district court found that low-wealth schools had lower quality or nonexistent counseling or programs for dropout prevention. In Camden, New Jersey, there were seven counselors for more than 11,000 children while in Princeton's middle school there were three counselors available for 600 pupils.[8]

In short, the weight of the evidence is clear: money does make a significant difference in the ability of districts to hire and retain good teachers and to purchase the programs and services that we now know do work for disadvantaged children.

It is clear as well that the chief victims of the abitrary and archaic way this nation distributes educational resources are poor and minority children. They are disproportionately concentrated in property-poor districts. Even in those instances where these children live in urban jurisdictions with property wealth, the demands on the cities to deal with other social problems means that adequate resources are not available for education.

The simple fact is, if we as a Nation do not assure the delivery of high quality instruction, coupled with these additional interventions, we are deluding ourselves into imagining that large numbers of poor and minority children ever will have a fair chance to succeed.

What is troubling is that there is a group of people who genuinely believe in education reform who are prepared to argue that reform can be achieved without addressing the fundamental issue of educational equity. This claim is couched in the language of "systemic reform" and goes something like this:

1. All children can learn and are capable of achieving at high levels.
2. Children, particularly minorities and the poor, are not achieving at these high levels because expectations are low and the curriculum is pegged to low standards.
3. So, by setting high standards and dispensing a rhetoric of high expectations, we will somehow produce high achievers -- without any concomitant effort to provide the resources needed by impoverished schools and districts to purchase and deliver the inputs needed to achieve these goals.

The fallacy is painfully clear. I know of no educator who will tell you the children of Camden, New Jersey, of East St. Louis and Chicago, IL, of Baltimore, MD, etc., now have a fair chance to compete academically with the children of the Princetons, Highland Parks, and Montgomery Counties of this Nation. Nor is it possible to imagine that top large numbers of flight teachers, no matter how committed, will be attracted to and stay in the Camdens and the Baltimores if they lack the resources - pre-schools, social services, reading programs, small classes - that they need to succeed in their work.

The argument that the job can be done without addressing fiscal inequity may be understandable, because money is tight and the political problems are considerable. But, understandable or not, the argument is short-sighted. If we fail to do the job right this time, you can be sure that we will soon be in another round of "blame the victim". It will be said that the government tried again to change education, but poor children failed to respond. So, there must be something wrong with them.

The Connection Between Chapter 1 And School Finance Systems

As Senator Pell indicated on the opening day of this three-part series of hearings, the appropriate place for the Congress to focus its concern about inequitable state school finance systems is Chapter 1 of the ESEA. There are several reasons why it is appropriate for Congress to address this problem, and why Chapter 1 may be the best vehicle.

First, it is my strong belief that although the federal government has an important role to play in encouraging and supporting state and local educational improvement, its role is much stronger when it comes to guaranteeing civil rights and educational opportunity. For the last three decades since passage of the Civil Rights Act of 1964 and Title I (now Chapter 1) of the ESEA in 1965, Congress has asserted a major interest in prohibiting and preventing discrimination in education and in assuring equal educational opportunities for minorities and low-income children.[9]

Second, Chapter 1 represents, in dollar terms, the federal government's largest commitment to securing equal educational opportunities for our nation's growing numbers of economically disadvantaged children. As a practical matter, the improvements in resource allocation schemes required at the state level are of such a magnitude that they cannot be leveraged with anything but the $6 billion plus in Chapter 1. The now $400 million proposed for Goals 2000 is not likely to stimulate more than mere rhetoric on "opportunity to learn," while what is needed are enforceable standards. Moreover, if there is to be any improvement in resource allocation at the state and district levels sufficient to afford real opportunity for poor and minority children to learn at high levels, I am convinced, it will have to be leveraged. And in much the same way Congress successfully has employed the IDEA and other statutes to leverage other changes it believed needed to be made.

Finally, the failure to deal with educational inequity makes Chapter 1 an inefficient program and prevents it from achieving its goals. Chapter 1 has been built on the fiction of a level playing field, that is, that federal funds are provided as a supplement for economically disadvantaged children to an educational program that is already adequate for them. In many places this is simply not the case. In the Report we prepared for the House Education and Labor Committee in 1990, my colleague Dianne Piché and I examined how Chapter 1 funds were used by school districts in the state of New Jersey. We looked at the property-wealthy district of Englewood with a per pupil expenditure of $6,824 in 1989-90, along with several property-poor districts like Bridgeton which spent $3,825 per child and Trenton which

spent $5,385. Because of its wealth, Englewood is able to fund, with state and local dollars, a complete range of programs and services for disadvantaged children. Its Chapter 1 allocation, then, was truly supplemental. But in property-poor districts, such as Bridgeton and Camden, educators had to decide which few of these programs they could afford and had to limit availability to a fraction of the students in need.[10]

Chapter 1 was built on a firm premise that extra help for children disadvantaged by poverty could help close the achievement gaps. In fact, the extra $800-1000 per pupil contributed by Chapter 1 is a good start toward meeting the needs of such children. In our Shortchanging Children report and in recent literature, experts have asserted a need for an additional $1,000-2000 per child to compensate for the impact of poverty and educational disadvantage. But these experts have assumed a level playing field, and an already adequate base. When disparities between the wealthy and impoverished districts in many states are $3,000 or more per pupil, Chapter 1 can only be deployed to play a losing game of catch-up in the poor districts.

So What Are the Solutions?

Federal leadership is needed to address the critical deficits in learning opportunities faced by children in many impoverished school districts. Two initiatives recommended by the Commission on Chapter 1, if enacted in the ESEA, could be effective in this regard:

1. Statewide comparability of essential educational services.

First, Congress could strengthen the provisions of current Chapter 1 law requiring "comparability" of services.[11] Currently, a school district can receive Chapter 1 funds only if it provides, with state and local funds, the same level of services in all schools within the district. This is a sound concept, but, regrettably the comparability provisions have never been applied on an interdistrict, or statewide, basis. The Commission on Chapter 1 has proposed requiring that just as local educational agencies must assure comparability, each state educational agency should assure comparable services for comparable needs to students across districts within the state before the state may receive ESEA funds. The services included under current law would be expanded to include, for example, those services I mentioned earlier which experts now agree are critical to the success of

disadvantaged students, e.g., preschool; certified, trained teachers; provision of counselors and social workers; and adequate class size.[12]

2. Opportunity to Learn Standards.

Second, Congress should require each state to promulgate and enforce opportunity to learn standards sufficient to assure that every disadvantaged child has a fair chance to learn and to achieve the high standards now universally being called for in our public schools. The Commission has recommended that such standards be required -- not voluntary -- in the Chapter 1 statute along with required content and performance standards and that they be in place before schools are held accountable.[13]

3. Other Measures to Level the Playing Field.

Other options which could also be effective include legislation in which Congress would find that education is a fundamental right. Such a finding would invoke the strict scrutiny of state financing systems that the Rodriguez case refused to apply and would greatly assist plaintiffs in bringing challenges to state finance systems in the federal courts. But it would still mean state-by-state litigation and subsequent reliance on state legislatures to enact constitutionally adequate remedies.

Another model for Congressional legislation is the Fair Chance Act, introduced in 1990 by former Chairman Augustus Hawkins of the Education and Labor Committee. The Act would require states to equalize spending or wealth within a small range before they would be eligible to receive federal funds. The difficulty with this traditional dollar equity approach is two-fold: first, it does not always take into account regional cost differences or the additional demands on districts with very high concentrations of poverty to devote resources to non-education social needs; and second, equalizing spending or wealth does not assure that districts will spend additional money on the programs and services described earlier that will make a difference.

Other initiatives that have been proposed may be important for Congress to enact, but, without one or more of the measures outlined above, they will not solve the problems outlined by the witnesses in these hearings. For example, even if Congress were to fully fund the $1,000-2,000 per pupil a number of experts are now saying is needed in high-poverty schools, it would not begin to make up the difference in a state like Texas where the disparity between the highest and lowest

spending districts exceeds $10,000 per pupil.[14] Similarly, creating new federally-funded programs for staff development, bonuses to reward high-achieving schools, and the like, while important to consider, are not likely to direct more than minuscule sums to the neediest communities. And finally, there has been much discussion of the Goals 2000 legislation during the course of these hearings. Goals 2000 offers the promise of federal incentives and guidance to the burgeoning movement toward so-called "systemic reform," including the development of much needed higher standards and new forms of assessment. But without strong provisions to assure adequate learning and teaching conditions, Goals 2000 holds little promise for our most resource-deprived communities.

Senator, in closing, I would add to all of the above a bit of the vast wisdom of the late Justice Thurgood Marshall. I had the privilege of working with Justice Marshall at the NAACP Legal Defense and Educational Fund on cases, shortly after I graduated from law school in 1954, the year Brown v. Board of Education was decided, and on subsequent cases to eliminate from our schools the scourge of racial segregation. Over the years, I continued to and still do represent minority children and their parents in their struggle to fulfill the promise the Supreme Court held out in Brown v. Board of Education of equal educational opportunity. But in 1973, and even more so today, that promise can never be fulfilled when so many of our country's Hispanic and African-American children are sentenced to an inferior education simply because their families reside within the borders of school districts bereft of the property tax bases and other resources needed to provide an education comparable to that provided to the children of the more affluent families residing across the line. Justice Marshall recognized this gross injustice to children in his dissent in the Rodriguez case when he wrote that

> "the majority's holding can only be seen as a retreat from our historic commitment to equality of opportunity and as insupportable acquiescence in a system which deprives children in their earliest years of the chance to reach their full potential as citizens." 411 U.S. 1, 70-71 (1973).

He believed that "the right of every American to an equal start in life, so far as the provision of a state service as important as education is concerned, is far too vital to permit [the] discrimination" wrought by the State of Texas' inequitable school finance system. And he further rejected the argument advanced in 1972 before the Court (and again as recently as the Hearings held in this room last week) that States should be left to their own devices in resolving the dilemma. He said:

> "Nor can I accept the notion that it is sufficient to remit these appellees [the poor children and their families] to the vagaries of the political process which, contrary to the majority's suggestion has proved singularly unsuited to the task of providing a remedy for this discrimination."[13]

Noting that "the strong vested interest of property-rich districts in the existing property tax scheme poses a substantial barrier to self-initiated legislative reform in educational financing," Justice Marshall concluded, quoting Brown,

> "I, for one, am unsatisfied with the hope of an ultimate 'political' solution sometime in the indefinite future while, in the meantime, countless children unjustifiably receive inferior educations that "may affect their hearts and minds in a way unlikely ever to be undone."[14]

Twenty years later, Justice Marshall's words seem prophetic. In the end, the issue this Committee is examining is one of equal protection of the laws. Congress has the responsibility, as well as the authority under Section 5 of the Fourteenth Amendment, to enact legislation to secure equal protection of the laws for the children of the Nation. Such action is long overdue.

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[1] 411 U.S. 1 (1973).

[2]William L. Taylor, The Continuing Struggle for Equal Educational Opportunity, 71 N.C. L. Rev. 1693, 1705 (1993).

[3]W. Taylor and D. Piché, A Report on Shortchanging Children: The Impact of Fiscal Inequity on the Education of Students at Risk, Committee on Education and Labor, U.S. House of Representatives, 101st Cong., 2d Sess. (1990) [hereinafter cited as Shortchanging Children]

[4]Robert E. Slavin, After the Victory: Making Funding Equity Make a Difference, Theory Into Practice (forthcoming).

[5]Commission on Chapter 1, Making Schools Work For Children In Poverty 46 (Washington, D.C., Dec. 1992)[hereinafter Making Schools Work].

[6]Shortchanging Children, at 36-37.

[7] Shortchanging Children, at 31-44; Making Schools Work, at 46.

[8]Id. at 38-40.

[9] Shortchanging Children, at 49.

[10] Shortchanging Children, at 33-34.

[11] Sec. 1018(c). See Chapter 1 Policy Manual at 101-103.

[12] The full text of the recommendation of the Commission on Chapter 1 concerning statewide comparability is appended as Exhibit B.

[13] The full text of the Commission on Chapter 1's recommendation for opportunity to learn standards is appended as Exhibit C.

[14] Testimony of Albert Cortez Before the Subcommittee on Education, Arts and the Humanities, July 26, 1993.

[15] 411 U.S. at 71.

[16] 411 U.S. at 71-72, quoting Brown v. Board of Education, 347 U.S. 483, 494 (1954).

[The article, "After the Victory: Making Funding Equity Make a Difference," is retained in the files of the committee.]

Senator WELLSTONE. Thank you, Mr. Taylor.

Certainly, we have Chapter I coming up, the Elementary and Secondary Education Act as a vehicle here. As I understand your proposals, Mr. Taylor—and I guess I'd like to get reactions to those and then ask the panelists to prioritize the direction they see us going in at the Federal level—either on comparability or on "opportunity to learn" standards, those proposals, you are saying that as a condition for receiving Chapter I funds, States must meet these conditions? If so, I wanted to raise the question as to what I have heard some people say that the problem is that there may not be that much there to leverage, and States may just walk away from it, and then the very kids that you are trying to help are going to be worse off—in other words, the "stick" approach runs into that problem. I wanted to get your response.

Mr. TAYLOR. Would you like me to address it first, Senator?

Senator WELLSTONE. Why don't you start out, please.

Mr. TAYLOR. It is correct that what I am recommending is a requirement both with respect to "opportunity to learn" standards and with respect to statewide comparability. That, if not adhered to by States, could result in a loss of funds.

That is true under Chapter I now with respect to other requirements, so it is not something that we are putting forward for the first time. Yes, I have heard the arguments that some States would forego the funds—and again, I don't rely completely on historical analogy—but that is certainly what was said in the 1960's and the 1970's with respect to Federal funding being withheld because schools districts would not desegregate. And what it came down to was that after a few terminations, there was never that problem again. The money, even 6 percent, 8 percent, 10 percent, was sufficiently important to the districts that they ultimately came into compliance with the law.

Now, there is a safety valve in the civil rights laws which I would recommend for the laws here as well, and that is that there be the ability on the part of private citizens as well as on the part of the Federal Government to bring a lawsuit if there is noncompliance; in that way, you would not have to rely completely on the withholding of funds, but you could obtain a court order that would require the State to come into compliance so that the funding would not be long-threatened for any recipient.

Senator WELLSTONE. Mayor and Congressman, let me ask both of you—since I think all of us here know that the mere recitation of the problems does not put into gear the machinery to deal with those problems—what direction can you give us here in terms of how you would prioritize the directions that we now need to start going in at the Federal level?

Mayor SCHMOKE. Senator, I don't have a full program for you. One of the things I mentioned in my written testimony that I didn't mention in the oral presentation is the fact that our State now is working on a new commission—the Governor has appointed a commission on education funding to try to address some of these problems. And I think one of the things that we have presented to them and have asked Congress to consider is not just the sticks, but

some carrots; that is, to hold out to school jurisdictions the possibility of getting resources for good performance or above average performance, and not just penalties for failures to meet certain minimum standards.

I really do think that that approach may encourage innovation more than it has in the past and that it may be a different approach that should be looked at. So that whatever the Federal Government does, you ought to also consider the carrots and not just the sticks.

Senator WELLSTONE. And they are by no means mutually exclusive.

Mayor SCHMOKE. That's right.

Senator WELLSTONE. Just to add, before I put the question to the congressman, one of the things that we have been talking about with others is the possibility of putting together, within the carrots approach, a package of benefits that we could leverage at the Federal level. Some of it might have to do with what we do with the Chapter I funding; some of it might have to do with summer institutes for teachers; some of it might have to do with funding for circuit-riders, outstanding principals and outstanding teachers who could take a year off and travel around within the State, sharing notes with others. Some of it might have to do with designation of Star Schools. We could sort of put that together for States that were willing to move toward equity, whatever operational definition we come up with of that, as an approach. I don't know if that makes sense to you or not.

Mayor SCHMOKE. I think it makes a lot of sense.

Senator WELLSTONE. Congressman?

Mr. BECERRA. I think Mr. Taylor is correct that Chapter I is probably our best vehicle to try to address the equity issue in education, but I think there are a few issues that we have to confront. First, we have never fully funded Chapter I, and unless we decide to do so, it makes no difference what we try to do in equity in education.

Senator WELLSTONE. Yes, I did hear you make that point.

Mr. BECERRA. No. 2 is the politics. I think you and I are very well aware that this is a political game of who gets what. There is a formula to distribute Chapter I dollars. Someone from the Northeast may not like the formula that folks from the West Coast, California, might like; so we may end up killing ourselves trying to come up with a formula that will distribute the funds.

And finally, the issue of whether this should be an entitlement or some form of reward. If it is something that everyone has a right to, every State should receive a certain allocation of Chapter I dollars, some people will say you will be rewarding inefficiency, bureaucracy; there are certain school districts that are not doing a good job with the little money that they now have. Or, should we go toward a system that says if you have poor children, you have got to provide some money to begin with, whether or not the school has had a good record or not.

The issue of Goals 2000, I think we have to address. And I don't believe we should pass any legislation dealing with standards without really dealing with "opportunity to learn" standards. I think we really have to have the inputs as well as the outputs.

Finally, I think we should also stress that we've got a changing world; our students are changing, and we have to teach teachers to teach. And that means that in many cases, for example, bilingual education, we have to have teachers who can teach children how to learn. At this stage, we don't have enough teachers to do the job of basic education; we certainly don't have enough teachers to teach special ed or bilingual ed, and we have to address that as well.

Senator WELLSTONE. One final question, and I'll let you go. I would be interested in how you would respond to this. What would be your best judgment—this is less on the policy part and more on making sure the follow-up is done—what would be your best judgment as to what you consider to be the kind of necessary follow-up on beginning to get the Federal Government to, through the Elementary and Secondary Education Act, look at this set of questions, begin to start to change the direction? How do you see this process evolving, and what advice can you give me as to how we can continue with the follow-up to make sure it is not a hearing, then, "Goodbye; talk to you in another 5 years"?

Mr. TAYLOR. Let me try to address that, but to also say a couple things about some of the things that have been said. First, I should say that I haven't been so bold as to get into the interstate formula, Congressman, and the Chapter I report doesn't do that. We know that Congress reserves certain prerogatives to itself, and it works out the formulas. I think there is a strong case that can be made that the interstate formula is not geared as much to need and poverty as it ought to be, and it may be that Congress may want to study this issue. But our focus is really on the distribution within the State and the fundamental notion that each State is responsible for assuring some degree of equity and equal opportunity within the State. I think if Congress were to try to take on that problem in a meaningful way, it would be a major advance even if it didn't take on the broader problem of interstate equity.

I do think that rewards are part of the picture, and indeed, in putting forward proposals about high standards and high expectations and assessment and accountability, the Chapter I Commission is talking about a system of rewards and incentives for teachers, schools, and for school systems as well. But those things really cannot be meaningful—I think it is wise always to bring it down to the school level, as Mayor Schmoke did, and look at that school in Baltimore and see what is it getting that will enable it to succeed, and if it is not getting the resources that will enable it to succeed, you know, we all can sit up here in Washington and talk about concepts, but it is not going to make a difference.

In terms of what the next steps are, I think we have to take this a step at a time. There is a process that I haven't talked about today of getting information. I think we have a lot of information, and I would hate to see us just appoint another study commission, but for example, if we are talking about comparability of services, on some services, we have information, and on other services, we are going to need the appropriate bodies, NCES and others, to make studies. So I think that ought to be built into any approach.

Beyond that, I would hope we would see a dialogue in the House like the one that is taking place here in the Senate. I have a feel-

ing, which may be wrong, that we are on kind of a slow track with respect to Chapter I right now, and I guess my own view is if it would take another year to get a little incentive money into the system and to have a true hold-harmless, it wouldn't be such a terrible thing to see Chapter I extended for a year, while we really made a meaningful effort at reform.

I think the worst thing would be to take a pass at it and not do it right, and then have to wait 5 or 10 years, because that's too long to wait.

Senator WELLSTONE. Mayor Schmoke.

Mayor SCHMOKE. Well, Senator, although it may not be popular, I would operate, and I would ask you to operate from the assumption that there is not going to be any new money for elementary and secondary education coming from the Federal Government. That is, take the existing money and make the assumption that that is not going to be substantially increased, and then review the programs that you currently have to see exactly what benefit you are getting from them and how they could be changed in order to achieve some of the goals that you set forth here of trying to assist schools in dealing with the inequalities that are established in State financing systems. Also, I think there may be some opportunity for the Federal Government to mandate changes in that financing system by the States and tie that into the receipt of some of these existing dollars. But I would operate from the assumption that there is not going to be a lot of new money from the Federal Government in elementary and secondary education.

Senator WELLSTONE. Congressman, the last comment.

Mr. BECERRA. Senator, let me leave the policy issues to people like Mr. Taylor, who have spent many, many years devising formulas and coming up with good proposals for us, and let me just address something that you and I have to deal with as two of the 535 members in Washington, DC who are elected to Congress.

I don't see anything happening unless you, I and the other members of the Senate and the House of Representatives sit down and say that we aren't going to let politics imperil our children, and we are going to try to come up with formulas that really reflect the needs of the children out there in the Nation and not necessarily reflect what our districts or our States want them to look like.

I don't see how we can get to the policy stage if we don't get past the politics. What I have found in the 6 months that I have been here is that politics dictates policy, and it is unfortunate because oftentimes we are finding that policy doesn't really hit the real button, and it doesn't serve the children who need it.

So I would say, and I think you and I know this well, that it is difficult to get the moneys we need, it is difficult to come up with the formulas we think are best, but I don't really believe that unless we sit down, all of us, and put aside some of the politics—and I know that is going to be very difficult if not impossible—that Chapter I, education equity, whatever it might be, will ultimately lose, and I think we really do imperil our children.

Senator WELLSTONE. Let me thank each of you and just make a request of you that we would like to stay in close touch with you. And what I said at the beginning, I meant, that I don't think this is symbolic to anybody in this room. We want to do the work, and

there are no guarantees, but we want to do the work, we want to push it forward, and we would like to stay in close touch and work with all of you.

Thank you very much. We appreciate it.

I'll call the second panel, which consists of Joseph Fernandez, Marilyn Morhauser, and Marilyn Gittell.

Joseph Fernandez is the former superintendent of schools in New York City and in Dade County, and he is currently president of the Council of the Great City Schools.

Marilyn Morhauser is director of the Education Law Center in Newark, NJ, and she is lead counsel for plaintiffs in Abbott v. Burk, the constitutional challenge to New Jersey's school financing statute, brought in 1981 by the Education Law Center on behalf of poor and minority children. She is the recipient of numerous awards and honors for her tireless work on behalf of poor children.

And Marilyn Gittell is a professor of political science at the Graduate University Center at the City University of NEw York, and she is the director of the Howard Samuels State Management and Policy Center. She is the author of numerous books—a number of which I assigned in classes—and articles on education and school reform, including "Choosing Equality: The Case for Democratic Schooling."

If it's all right, I'll take your testimony in the order that I introduced you, and we'll start with Joseph Fernandez. And I thank you very much for being here, Dr. Fernandez.

STATEMENTS OF JOSEPH A. FERNANDEZ, PRESIDENT, COUNCIL OF THE GREAT CITY SCHOOLS, WASHINGTON, DC; MARILYN MORHAUSER, DIRECTOR, EDUCATION LAW CENTER, INC., NEWARK, NJ; AND MARILYN GITTELL, HOWARD SAMUELS STATE MANAGEMENT AND POLICY CENTER, THE CITY UNIVERSITY OF NEW YORK GRADUATE SCHOOL, NEW YORK, NY

Mr. FERNANDEZ. Thank you, Senator. I really appreciate it.

I have submitted written testimony, but let me talk a little bit about some of the aspects in terms of educational equity, and I will try to paraphrase it in relation to the experience I have had as superintendent of Dade County, which is the fourth-largest school system, made up of 27 different Miami being the largest, and then of course, New York City, which has almost one million students.

The Council represents a little more than 13 percent of our Nation's children in kindergarten through 12th grade in public schools, and the majority of those children are children of color, African American, Latino, Asian American. And most of the poverty in this country, excluding the rural areas, is concentrated in our inner cities. That is the focus of the Council.

I think the issue of educational equity is an appropriate one, because oftentimes we are criticized in terms of money being poured into a bottomless pit and no results coming out the other end. I am here to tell you that some results are beginning to come out the other end, but I am also here to tell you that my colleagues in the field can't do it with mirrors; they need some resources. And oftentimes—and I know that you recognize this—it takes unequal resources to get an equal educational opportunity. Chapter 1 recog-

nizes that, Head Start recognizes that, even though everyone is not covered who should be covered.

In these particular times, particularly when we have been going through this recession and the tremendous cuts that we have had in the educational communities, it has been particularly tough, because when you are faced with thee educational cuts—and I was faced with almost $1 billion worth in New York City; in fact, when I left on the 30th, they were hit with another $50 million—the decisions you make are not good decisions. You have a choice of bad decisions. And generally, things that you need the most are taken out of the budget, things like maintaining teacher training, which is very, very important particular in our inner cities, where we have a revolving door of teachers. The kids that need the most stability, if you will, some continuity in their lives, have this revolving door of teachers going on; every 2 or 3 years, there are different faces in their classrooms. And particularly in our cities that are impacted so heavily by an immigrant population—and they don't come at nice times; they don't come at the beginning of school and then stop—they come all during the school year, all different sizes, all different shapes, and their educational backgrounds vary tremendously depending upon where they come from.

I recall when I was in Miami, at one point when the struggle was going on in Nicaragua, we were receiving about 25 students a day. In a month's time, we had the equivalent of an elementary school. And this was just going on constantly. This has an impact because we want to serve these students, obviously, but it draws and strains the budget, which is limited.

When you look at the playing field, it is not level, and unfortunately the political will in most States is not to change it. In fact, if you look at the landscape across this country in terms of educational equity, most of it has been changed by the courts because the courts mandated it; some advocacy group or some school system like New York City, which is currently suing its State, has gone to the court to try to force the issue. So it hasn't happened because people of good will out there have wanted to change it, unfortunately.

When you look at the infrastructure in our cities, we have the oldest buildings. I recognized one of the speakers spoke about Jonathan Kozol's book, Savage Inequalities. I am embarrassed to tell you that one of the schools he mentions in there is Morris High School in the Bronx. He described how, when it rained, torrents of rain would come down the steps like a river. That is very factual.

This is 20 years later, and we are finally build a new school, or renovating it. But this is 20 years later. Think of the generation of kids who went through that school, mostly Latino children, who went through that school thinking, "Nobody gives a damn about me if they put me in this kind of situation."

These are the conditions that our kids are facing in our cities over and over again. In many ways, it is a national disgrace, Senator, and I applaud your efforts and those of your other committee members, in trying to deal with this issue. It is a tough issue. I don't know how you can really get at it because it is the purview of the State, but somehow there has to be a way that the U.S. Congress can address this issue of educational equity.

I still maintain that there are some vestiges of discrimination from the old days in our schools, particularly in our inner cities—maybe not intentional, but the vestiges are there; there are a lot of people still in our schools who believe that children of color cannot learn, don't recognize different learning styles. Lower the academic standards, if you will. One of the things that reformers like myself have struggled with has been to make the academic requirements more rigorous, not less, because it is almost like a self-fulfilling prophecy that children of color can't learn, therefore you lower the standard. And yet, we know programs like mathematics, gateway programs for children of color, if they are exposed to algebra early on in the 7th and 8th grades, their chances of going on and completing school are better. We know that class size is important; yet in our schools, particularly in our cities, our class sizes are inordinately larger than in the surrounding areas. We know that exposure to computer-assisted instructional programs and hands-on to the computers are important; yet the ratio of computers to children in inner city schools is very, very high compared to the other school districts.

We know libraries an media centers are important; yet I am embarrassed to tell you that in New York City some schools still don't have libraries because they were cut back in the seventies when they went through that budget cut.

So this is what is faced in the inner cities that represent over 13 percent of the children in this country's public schools. Somehow, we have to address this issue of equity. I am very impassioned about it, obviously, because I have been out there looking at it day in and day out. The color of this country is changing, the demographics are changing. When you look at Bud Hodgkins' report, he'll tell you that by the year 2036, the majority of the work force will become people of color, children who are in our schools right now. We have to do a better job with them, but we cannot do it with mirrors; we have to do it with some resources. We have to level that playing field.

Thank you.

[The prepared statement of Mr. Fernandez follows:]

Prepared Statement of Joseph A. Fernandez

My name is Joseph Fernandez and I am the President of the Council of the Great City Schools and former Chancellor of the New York City Public Schools and former Superintendent of the Dade County Public Schools. Thank you for this opportunity to testify before this critical Subcommittee on an issue of vital importance to America's urban schools: educational finance.

The Council of the Great City Schools is a coalition of the nation's largest urban public school systems. It's sole mission is the improvement of education in our nation's inner-cities. On its Board of Directors sit the Superintendent and one School Board member from each city, making it the only national organization constituted across school constituencies and the only national education group whose mission and function is solely urban.

While comprising less than 0.3% of all the school districts in the nation, the member urban school systems of the Council educate some 5.4 million youngsters or about 13.1% of the nation's public elementary and secondary enrollment; and within those 47 cities are found 37.1% of the country's African American students, 31.8% of its Hispanic and 22.2%of its Asian children. Approximately 55% of our enrollments are eligible for a free/reduced price lunch (compared with 29.4% nationally) and 13.5% are limited English proficient (compared with 4.9% nationally).

In the brief period of time we have this morning I want to concentrate my oral statement on a number of points about the financing of urban schools, and then devote the remainder of my time to issues in New York and how they are similar to problems of city schools specifically, and to our entire educational finance system in general. I also have a series of recommendations I would like to make. I would also like to ask the Committee's permission to expand my written statement for the record.

As prelude to that discussion I would like to say a few words about federal funding of urban schools and how we think it makes a difference. You have heard repeatedly in these hearings that federal support of schools in general amounts to somewhere around only 6.0%. But federal support of urban schools is over 9.0% and the federal share of all compensatory education aid nationally is about 60%. The federal government's targeting of its limited dollars into high priority areas for children at-risk is extraordinarily important despite its low dollar share of all education funding.

I would also like to say that those dollars make a *major* difference. This Committee is to be congratulated for how it has re-targeted federal funds since the last reauthorization, raising the total share of federal education funds devoted to our nation's inner city public schools from 20.0% in 1988-89 to 21.3% in 1990-91. Your work in targeting Chapter 1 Concentration grants, drug free schools, dropout prevention, and vocational education is having the desired results.

Between 1988-89 and 1990-91, 68.9% of the Great City School districts saw their reading and math achievement test scores increase in the elementary grades as did about half of the districts in the secondary grades.

In addition, the median annual dropout rate among the Great City School districts declined from 10.6% in 1988-89 to 8.8% in 1990-91, a drop of 17.0%. The median four year dropout rate declined from 32.1% in 1988-89 to 26.1% in 1990-91, a dip of 18.7%.

And urban schools are making progress or doing surprisingly well in a number of other critical areas. For instance, urban schools serve a higher proportion of pre-schools students with more services than the average school nationally. We place more students proportionately in advanced-placement English, math and science courses than the average; we send more of our students to four-year colleges than usual; and we provide considerably more in the way of social and health services.

Unfortunately, urban schools have a great deal of distance to travel before we are thoroughly proud of our performance. The evidence is clear (see table):

- While showing progress, our dropout rates are about twice the national averages.
- African American and Hispanic youngsters in our schools drop out at higher rates and graduate at lower rates than even the urban average, although substantial progress has been made of late with African American youngsters.

- The vast majority of our students have not successfully completed an introductory course in algebra by the end of the 10th grade.
- Only about a third of our Hispanic, Asian American and African American youngsters score above the national norms on standardized reading and math tests.
- We have significant shortages of pre-school, math and science and minority teachers, as well as teachers for the disabled and limited English proficient.
- The backlog of maintenance and repair needs for our inner city schools continues to be severe.
- Issues of violence and drug use continue to reverberate through our schools from the surrounding community.

I mention these performance indicators in this hearing on school finance rather than in a hearing on the reauthorization of the federal Elementary and Secondary Education Act for a purpose: we see the issues as related, and we are not afraid of the accountability for performance that now comes from reform. You have heard, however, from previous witnesses at these hearings that greater financing--both its amounts and its equity--would come only when schools reformed and when performance was demonstrated. But adequate and equitable financing should not be a reward for reform because any new financial investment can not be sustained under such a scenario--instead educational reform and school finance should be seen as part of the same seamless web. We are not likely to achieve one without the other, and neither one should be thought of as ends unto themselves.

The goal of public schooling is two-fold and inextricably linked: the creation of an educated, productive and competitive citizenry; and the reduction of disparities in circumstance that allows individual opportunity and national democracy to thrive. That linkage is also true of reform and finance, giving each its own dimension but neither supremacy over the other.

With that I would like to make a number of points about urban schools and their financing.

1. The Council is a firm believer that funding in schools does make a difference in the performance of students and teachers, and I have seen it everyday in my work in New York City and Miami. Part of that belief rests in the fact that urban school systems and the children they serve do not have access to the same resources available to other children nationally. Our data and that from the Educational Research Service indicates that the average large city school system spent about $5,200 per student in 1990-91 while the average suburban school system spent $6,073 and the average rural school system spent $5,476. That $873 disparity between urban schools and the suburbs amounts to nearly $22,000 for a class of 25 children whose needs are not as high as their peers in the inner city. However confusing the research, it is hard for us to believe that the disparity does not make a difference. It certainly does to those who have the money and won't give it up.

2. Because of the extraordinary needs that an overwhelming number of our youngsters bring to the school house door each day, urban schools deliver services well beyond traditional instruction. We do this in part because no one else will, even if it flies in the face of our central mission. It means that urban schools spend more of their school dollar on social service and on the administration of those services. But we should put the facts straight here. Urban schools actually spend (in 1990-91) a slightly higher share of their dollar on direct instructional services (62.0%) than do suburban students (61.4%) but the share is of a much smaller pot. And what urban schools spend on social and health services, suburban schools spend on extracurricular activities that few inner city schools will ever dream of having. Finally, total expenditures in the central offices of urban schools amounts to only 4.9% of the total budget compared to 4.5% in suburban schools--both percentages that would be hard to match in the private sector, as was clearly demonstrated in the recent Eli Lilly Endowment funded study comparing schools and business. Efforts such as the one recently on the Senate floor to cap non-instructional expenditures in schools is clearly based on erroneous information.

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3. Ronald Ferguson, a witness before this Subcommittee last week, rightly pointed out that money can buy smaller class size in schools and that the research demonstrates that it is money well invested. He also indicated that money is important in attracting well-qualified teachers, arguing that poor school districts have to pay more to attract good teachers because they have little else to offer. We believe his findings, but worry about their implications because urban schools are behind on both crucial fronts. Our average class size in the cities is 27 with many classes running well in excess of 40 students, figures well above national averages. In addition, our ability to offer higher salaries to teachers choosing between our schools and the more attractive suburban schools is shrinking. While urban schools currently pay about 11% higher salaries to teachers than the national average--mostly because of higher cost of living in the cities, the differential advantage between the cities and the nation has narrowed by 31.7% between 1980-81 and 1990-91.

4. We also need to clarify a statement made in earlier testimony by Governor Romer when it was contended that states are doing better than the federal government in correcting problems of inequity in funding. States have, indeed, improved their overall funding of schools in the last ten years, **but states have not corrected the financial inequities as well as the federal government.** At best the record is mixed. Between 1980-81 and 1990-91, the percentage of total state education expenditures devoted to poor urban schools actually declined from 14.6% to 14.4%, and in neither case did the total share rise much above what one would expect on a per student basis, thereby giving little recognition of the greater needs of urban students. The federal government, on the other hand and mostly because of Congress, increased the share of their total elementary and secondary expenditures devoted to urban schools from 19.7% to 21.3%--mostly coming between 1988-89 and 1990-91--even as the total amount of urban school revenue coming from the federal government dropped from 11.9% to 9.1%.

5. In neither case, however, is the amount of funding or the share of overall funding reflective of urban needs despite the perception that massive amounts of funding are pumped into our schools to no avail. In fact, the average per pupil revenue devoted to urban schools in 1990-91 was about 7.0% less than the national average--after adjusting for numbers of poor, limited English proficient and disabled youth. The effect is often severe on racial minorities heavily concentrated in the cities. If the performance is not what is desired it is largely that the nation is getting what it is paying for in urban education.

6. The financing of urban schools is similar to other school systems in their reliance on property tax, except that a disproportionately large share of urban schools are financially dependent on their general purpose unit of government (i.e. the mayor) and have no taxing authority of their own, thereby competing more directly with other city needs for housing, police, welfare and other services. When urban schools do have taxing authority that authority is often severely constrained by the state or other jurisdictions. For instance, no major urban school district taxes corporate or industrial income. In addition, many urban school systems overlap high property wealth areas but are not allowed to tax that property because the taxes have been abated to induce the companies to stay inside the city limits to save the diminishing number of urban jobs. State and federal formulas that use property wealth as an indication of ability to pay for their schools will severely overestimate the effect for cities. In general urban residents devote a higher share of their personal income to public education than do other citizens nationally.

7. It is often perceived that the states are the main engines of educational reform and that city schools in particular are bureaucratically entrenched agencies with little stomach for accountability, high standards and assessments, and with interest only in the money. In fact, most cities are undergoing substantial reforms on their own. We have pioneered site-based management, down-sized central office personnel, tested broad-scale teacher training approaches, designed a good deal of the nation's authentic assessment and portfolio approaches and many others. Urban schools know they have a good deal more work, some of which requires little additional money like further cooperative learning, less tracking, and better distribution of funding within districts. However, urban schools are squarely behind the need

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for higher performance standards as well as finance equity. It is why we have set our own goals, held our own summit and published our own indicators.

Urban schools have been the victims of inequity in the state financing of schools and we agree that the current situation is a national and federal issue, but we urge some caution in solving the problems. The worst thing that either states or the federal government could do is to require that finance equity be determined by dollar equality. It makes no sense to give as much to a wealthy child as to a poor one in the name of fairness. Unfortunately the federal government has limited options in solving these problems because of its limited standing in school funding and because of the massive complexity of the technicalities.

We would, however, recommend a number of limited federal efforts in the short-run:

- ✓ Maintain and enhance the targeting of federal aid in current programs on poor, limited English proficient and disabled youth. The federal government's historic role in ensuring opportunity for at-risk children should be strengthened in the upcoming reauthorization of the Elementary and Secondary Education Act because the states will not pick up the slack if the federal government moves onto another agenda that leaves these children in the cold.

- ✓ Strengthen the federal government's data collection capacity in the area of school finance. Past efforts to build capacity were abandoned in the early 1980s, leaving us now with a substantial gap in data.

- ✓ Authorize a new federal study of federal options in state and local finance reform. These hearings are extremely important but they are just a start in understanding the issues and the implications of various policy options. We would also encourage more hearings, particularly conducted in the field and we offer our cities as sites in which to hold them.

- ✓ Refrain from using Chapter 1 or other federal education programs as the fulcrum for leveraging broader school reform or financial equity. The program is not large enough in the grand scheme of things to withstand such pressure.

- ✓ Consider the possibility of more dramatic action like amending "Goals 2000" to strengthen provisions for opportunity to learn standards, or by amending that bill or the federal civil rights act to allow standing in federal court for state finance issues -- which they have not had since the 1973 Rodriguez case.

The area of school finance is a complex one as you have seen from these hearings. It is also an issue of critical national importance if the reform of our schools is to work. The Council would urge Congress to begin wading into this area at the same time it looks at programmatic reform and performance standards but to do so with some caution. It is an area where harm can be done in the process of trying to do good.

Thank you for this opportunity to testify on this important set of issues. I would be pleased to try to answer your questions.

Comparison of the Great City Schools and the Nation, 1990-91

Indicator	Nation	Great Cities
I. Demographics		
• Population:	248,709,873	40,295,253
• Public school enrollment:	41,223,804	5,408,321
• Enrollment as % of population:	16.6%	13.4%
• Enrollment as % 5-17 year old population:	91.1%	82.1%
• Percent change in enrollment:	+0.7%	+0.6%
• Percent of enrollment African-American:	15.2%	42.1%
• Percent of enrollment Hispanic:	10.1%	26.5%
• Percent of enrollment Asian or Pacific Islander:	3.1%	5.9%
• Percent of enrollment Native-American or other:	0.9%	0.5%
• Percent of enrollment white:	70.7%	25.0%
• Percent of enrollment free/reduced priced lunch:	29.4%	54.8%
• Percent of enrollment limited-English proficient:	4.9%	13.5%
• Percent of enrollment disabled:	10.0%	10.6%
II. Urban Goal Indicators		
Goal 1: Readiness to Learn	No	Yes
• Assessments of school readiness:		
• Percent of entering 1st graders with:		
- full-day kindergarten:	NA	51.5%
- half-day kindergarten:	NA	35.3%
- no prior schooling:	NA	5.9%
- undetermined:	NA	7.3%
• Number of pre-k pupils per teacher:	NA	14.4
• Number of kindergarten pupils per teacher:	NA	22.1
• Percent of pre-k staff credentialed:	NA	52.4%
• Percent of kindergarten staff elem. school certified:	82.9%	80.5%
Goal 2: Graduation Rates		
• Total number of graduates:	2,253,043	214,253
• Annual dropout rate:	4.1%	8.8%
• Four year dropout rate:	NA	26.1%
• Attendance rate:	93.2%	90.0%
Goal 3: Academic Achievement		
• Percent of students scoring above Reading norm:	50.0%	40.4%
• Percent of students scoring above Math norm:	50.0%	47.8%
• Percent of 10th graders successfully completing 1st year algebra:	NA	36.1%
• Percent of 11-12th graders with Advanced Placement or International Baccalaureate English:	2.3%	5.2%

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• Percent of 11-12th Graders with Advanced Placement or International Baccalaureate Math:	1.5%	3.3%
• Percent of 11-12th Graders with Advanced Placement or International Baccalaureate Science:	1.2%	3.3%
Goal 4: Teacher Quality		
• Total number of teachers:	2,390,411	297,685
• Percent of English teachers fully certified:	96.7%	98.6%
• Percent of Math teachers fully certified:	95.2%	96.9%
• Percent of Science teachers fully certified:	98.1 %	97.3%
• Percent of teachers who are minority:	12.2%	37.9%
• Average teacher salary:	$33,015	$36,650
• Average class size:	NA	27.0
Goal 5: Postsecondary Opportunities		
• Percent of graduates in:		
- Vocational training:	2.1%	7.0%
- Four year college:	38.2%	41.8%
- Two year college:	19.3%	23.3%
- Military:	NA	3.6%
- Employed:	NA	9.6%
- Undetermined:	40.4%	14.7%
Goal 6: Safe and Caring Environment		
• Drug/alcohol incidents per 1,000 students:	NA	2.0
• Number of schools with health clinics:	NA	718
• Total deferred maintenance:	$25.0 b	$5.0 b
• Total number of schools:	82,741	7,392
IV. Finances		
• Average expenditures per student:	55,512	55,200
• Percent of revenues from local sources:	45.0%	42.0%
• Percent of revenues from state sources:	48.9%	48.9%
• Percent of revenues from federal sources:	6.1%	9.1%

Average Per Pupil Expenditure

Average per pupil expenditures for large urban school districts by function compared to suburban schools, rural schools and the national average in 1990-91

Expenditure	Large Urban Schools Dollar	Large Urban Schools Percent	Suburban Schools Dollar	Suburban Schools Percent	Rural Schools Dollar	Rural Schools Percent	National Average Dollar	National Average Percent
Total Instructional Services	$3,223	62.0%	$3,729	61.4%	$3,328	60.6%	$3,392	61.5%
Classroom Instruction	2,335	44.9	2,749	45.3	2,449	44.7	2,492	45.2
Special Education	484	9.3	455	7.5	358	6.5	418	7.6
Books and Materials	101	1.9	147	2.4	166	3.0	141	2.6
Auxiliary Instructional	186	3.6	240	4.0	193	3.5	207	3.8
Improvement and Development of Instruction	102	2.0	83	1.4	51	0.9	71	1.3
Other	15	0.3	55	0.8	111	1.8	63	1.1
Total School Site Administration	$262	5.1%	$295	4.9%	$257	4.7%	$271	4.9%
Total Student Services	$358	6.9%	$417	6.9%	$498	9.1%	$392	7.1%
Health and Attendance	105	2.0	97	1.6	69	1.3	80	1.5
Transportation	196	3.8	231	3.8	342	6.3	234	4.3
Food Services	25	0.5	10	0.2	17	0.3	15	0.3
Student Extracurricular Activities	17	0.3	62	1.0	59	1.0	51	0.9
Other	15	0.3	17	0.3	11	0.2	12	0.2
Total Board of Education	$21	0.4%	$32	0.5%	$33	0.6%	$28	0.5%
Total Superintendent and Executive Admin.	$71	1.4%	$99	1.6%	$102	1.9%	$94	1.7%
Total Central and Business Services	$184	3.5%	$146	2.4%	$92	1.7%	$122	2.2%
Total Maintenance and Operations	$460	8.8%	$481	7.9%	$375	6.9%	$417	7.6%
Total Environment, Fuel and Utilities	$120	2.3%	$146	2.4%	$134	2.5%	$135	2.5%
Total Other Current Expenditures	$144	2.8%	$208	3.4%	$201	3.7%	$165	3.0%
Total Capital Outlay	$220	4.2%	$225	3.7%	$174	3.2%	$242	4.4%
Total Debt Retirement	$75	1.4%	$172	2.8%	$172	3.1%	$149	2.7%
Total Interest on Debt	$62	1.2%	$122	2.0%	$107	2.0%	$103	1.9%
Total Per Pupil Expenditure	$5,200	100.0%	$6,073	100.0%	$5,476	100.0%	$5,512	100.0%

Source: Educational Research Service and the Council of the Great City Schools. Figures may not add due to rounding.

Senator WELLSTONE. Dr. Fernandez, your testimony is gripping and compelling. Thank you. I hope the Nation listens.

Ms. Morhauser.

Ms. MORHAUSER. I come to this field of endeavor as a relative novice. I have only been working on one lawsuit in one State since 1979. But that wasn't the first lawsuit in the State.

The history of litigation attempting to assure what has to date not been assured, that poor and predominantly minority children receive the opportunity they need in order to compete with their more affluent peers has not yet been realized.

I have set forth the history of this tragedy and of justice denied for so many years in a number of pages of the testimony that I have submitted to the committee, Senator.

Senator WELLSTONE. Yes. All of the written testimony will be made part of the record.

Ms. MORHAUSER. And I want to thank you for the opportunity to bring my thoughts to you today, not only about the terrible history we have lived through, but about some remedies what you might wish to consider.

But let me begin by remind you and other members of the Senate that those of us fully involved in litigating this issue are really asking for the application of Plessy v. Ferguson. We have, especially in our industrial centers, terrible segregation. We have in the poorest cities in this Nation almost all Latino and African American children. We are asking not for integration—the country has essentially rejected that, with few exceptions—we are asking for equal. That is what Plessy stood for—separate but equal. That is what we are about these days, and sometimes I am embarrassed to acknowledge it. But the kind of testimony you have heard today from the congressman, from Dr. Fernandez, about the effects of what we are doing in our continuing determination to recognize that children of color are citizens just as fully as are their counterparts in wealthy suburbs, is going to bring us terrible tragedy, much of which we are already realizing.

I heard Senator Dodd in a C-SPAN coverage of one of these hearings talk about the horror of children carrying guns to school. I think if I went to school in some of the districts in this country, I would carry a gun, because I would be afraid of all the others who are carrying guns, or those who have been smart enough to realize that they really don't want to spend their lives working in a Burger King; that they want to make a lot of money fast, selling drugs, and that's the only option for some of the children in our country.

I would like to recommend—people have talked a lot about Savage Inequalities, and I would like to recommend another book to you and other members of this committee and other interested legislators. It is a magnificent book by Alex Kotwitz called There are No Children Here. It helps us to understand how little children born into poverty, living in a housing project in a Chicago ghetto, try to survive and try to grow up.

But most of all, I want to talk to you in terms of what I think your job is. I want to begin first by saying that I do not believe the Federal Government has done anything close to its share of what it should be doing on this problem. To date, with few exceptions, only one branch of Government, the judiciary, at the State level,

has recognized and attempted to remedy the very serious problem of inequitable school financing.

In urging the Federal Government to take action to end the travesty of historic injustices to poor public school children exemplified by the history of New Jersey, I invoke the words of our U.S. Supreme Court which apply to many other States. Clearly, the Court said, we are failing to solve this problem. It is the problem of bringing this important and increasingly isolated class into the life of America, for this is not just a New Jersey problem. There is progress, and there are some successes in education, but the central truth is that the poor remain plunged in poverty and severe educational deprivation.

New Jersey's large black and Hispanic population is more concentrated in poor urban areas and will remain isolated from the rest of society unless this educational deficiency in poor urban districts is addressed. While the constitutional measure of the educational deficiency is its impact on the lives of these students, we are also aware of the potential impact on the entire State and its economy, not only on its social and cultural fabric, but on its material well-being, on its jobs, industries, and business.

Economists and business leaders say that our State's economic well-being is dependent on more skilled workers, technically-proficient workers, literate and well-educated citizens. And they point to the urban poor as an integral part of our future economic strength. In short, they urge the State to go about the business of substantially improving the education of the very subjects of this litigation, the students in the poor urban districts.

Now, remember, the Court is talking about a very rich State, the second-highest in income in the Nation, when it is addressing the obligation of New Jersey. So it is not just that their future, the future of these children, depends on the State; the State's future depends on them.

That part of the constitutional standard requiring an education that will enable the urban poor to compete in the marketplace, to take their share of leadership and professional positions, assumes a new significance.

We note a further impact on the continuing constitutional failure, and I thought of this when I heard Senator Dodd's comments the other day. Soon, one-third of our citizens will be black or Hispanic, and many of them will be undereducated. This substantial segment of our population is isolated in a separate culture, in a society they see as rich and poor, for to the urban poor, all other classes are rich. There is despair and sometimes bitterness and hostility.

The fact is that a large part of our society is disintegrating, so large a part that it cannot help but affect the rest. Everyone's future is at stake and not just the poor's. those are words from the unanimous decision of the U.S. Supreme Court of New Jersey. These words suggest what I believe is the first obligation of elected officials, which is to use the bully pulpit, both through congressional findings and legislation and through admonitions of the Executive, principally the Secretary of Education who, as Governor, recognized the importance of equity in spending; to help people in this Nation understand that failing to provide excellent education

to poor children is inviting a national crisis, both economic and social.

Last week, in a July 28, 1993 news release from the U.S. Department of Education, concerning the condition of education, however, not a word was addressed to funding education. Rather, we were given many findings concerning differences in access to programs and in educational outcomes from low-income and high-income families, but there was not a hint that many of the children from low-income families also attend low-funded schools, and vice versa.

Indeed, the Department of Education has never done a study of interstate funding disparities. As I read the July 28th—and I would certainly agree with Mr. Taylor, who did one of the few studies that has been done to date, relying I think almost exclusively on court records, that we need more than studies—but we need the Nation to face the facts. And a study of what is happening to poor children in cities, in rural areas, many poor children who come to this country hoping they'll have a chance through public education, the kind of children who flood into Dade County, the children who have formed almost totally Cuban communities in New Jersey, almost totally Haitian communities, school districts, in New Jersey.

We need the voice of the President and his Secretary of Education to help the Nation understand that this problem is paramount, and it must be resolved.

I was affronted by the following words of Secretary Riley in his July 28th release: "We know that all children can learn, and all students benefit from clear expectations and high standards. Accepting second best from a disadvantaged child can condemn that student to a second class life as an adult and thereby continuous cycle of failure and disappointment in another generation. I urge everyone to focus on the central theme of President Clinton's Goals 2000 legislation—high standards equal higher achievement."

Of course we should not accept second best from the disadvantaged child, but we should not begin by giving that child second best. As to President Clinton's Goals 2000 legislation, similar to President Bush's program, many throughout the country, I among them, fear that national standards will underscore and perpetuate disparities between affluent and poor districts.

As an example, mathematics standards already developed and a companion set of standards for teachers require costly teacher retraining and wider use of computers and calculators, the cost of which may well be met by well-funded districts, but may well leave further behind poorly funded districts.

I did see in this week's Education Week that the Clinton administration is considering providing with their Goals 2000 legislation some funding for high-tech equipment. That can be helpful in some places. It won't be too helpful in the six schools in Newark that are 120 years old and that are ill-equipped with plumbing and wiring to use high-tech equipment.

An article that ran recently in Education Week June 9, 1993 in fact asked can the schoolhouse handle systemic reform, including the use of high-tech equipment. As Augustus F. Hawkins, retired chairman of the House Committee on Education and Labor, said on December 19, 1990, if the Bush administration is at all serious

about achieving national goals in education, it must join the Congress in redressing the damaging consequences of fiscal inequity.

Now, I am not going to ask you for a lot of money. I too read the newspapers, and I know about the budget problems. But perhaps 2 years later, after Congressman Hawkins' challenge, the Clinton administration and Congress will do something.

I recommend that the committee require and fund what Mr. Taylor spoke to—a Department of Education study of intrastate disparities in pupil spending, or perhaps establishing a commission, but that study should be funded so that it can be done well and so that it will be based on funding for regular education, not on total funding. You will see the definition of regular education set out by our U.S. Supreme Court in the earlier section of my paper.

I further recommend that this committee revisit both the Fair Chance Act which Mr. Taylor referred to, introduced by Mr. Hawkins in January 1990, and the recommendations of the December 1990 study prepared by Mr. Taylor and Ms. Piche. The thrust of both of these is to require equitable statewide funding as a condition of Federal funding.

Although sometimes I am not sure when we start talking about equal opportunity to learn that we are talking about equity in funding——

Senator WELLSTONE. Ms. Morhauser, I have to interrupt you and ask you to conclude so I'll have time for questions, and we do have one other panel. And I do apologize for that.

Ms. MORHAUSER. OK. I will conclude very shortly.

Two more recommendations have to do with Congress assisting those who are fighting the fight at the State level—providing P and A, protection and advocacy, funding, much as Congress does to assure the rights of handicapped children, and channeling that not through the States, but either through Justice or through the Education Department. And I omitted from my paper, out of a lack of self-interest, I think, that this money should go to those already engaged in litigation who have years to go before they finish, in addition to those who wish to initiate litigation.

Also, I believe Federal funding, especially for Chapter I, should be withheld if States refuse to provide attorneys' fees and costs to prevailing plaintiffs in such lawsuits.

My last recommendation is actually the most daring one, and that is that this committee, if it is within its purview, urge Attorney General Reno to join a State in attempting very seriously to overthrow Rodriguez so that we can finally establish that education is a fundamental right under the U.S. Constitution.

Thank you.

[The prepared statement of Ms. Morhauser follows:]

PREPARED STATEMENT OF MARILYN MORHAUSER

I appear before you today to provide you with information about the depth and scope of discrimination in the allocation of resources for public education in one of the wealthiest states in the nation and to urge you to use congressional authority to move toward ending this discrimination. For twelve years, I have been lead counsel for plaintiffs in *Abbott v. Burke*, a challenge to the constitutionality of New Jersey's school financing statute brought by Education Law Center in behalf of poor and minority children in the state's 30 poor urban districts. Those districts have responsibility for educating some 275,000 children, 80% of whom are African-American or Hispanic, 75% of whom meet federal poverty standards.

The long history of the New Jersey struggle to assure equal educational opportunity to all public school children (a struggle which has not ended and which, to date, has failed to yield results) follows. For the past 24 years New Jersey officials have deliberately denied hundreds of thousands of poor and minority children equal access to quality education. The New Jersey experience argues for the federal government to take serious steps to reverse this dangerous and growing trend, the scope of which is demonstrated by there being some 35 states in varying stages of school finance litigation.

Before detailing the New Jersey struggle for equity, let me give you a profile of my state. For many years New Jersey has had the second highest income level in the nation. Yet, according to the Brookings Institute, it also has within its borders four of the 11 most distressed cities in the nation. New Jersey public schools rank fourth in the segregation of African American children and third in the segregation of Latino children.[1] Finally, a 1990 study done for the House Subcommittee on Education listed New Jersey among the five most disparately funding states in the nation.

Although New Jersey elected officials frequently point to federal education analyses showing that the State ranks first or second in average spending per child, a well-kept secret is buried in Census Bureau data, the most recent of which places New Jersey 40th in spending for education as measured by income. (See Exh. 1, attached.) Further, as the trial judge in New Jersey's first school finance case noted, "Averages conceal disparities."

Additionally, the high average spending level of the State veils several factors. First, sixty percent of that average derives from local property taxes as contrasted to a national average state funding share of over 50%. Second, New Jersey led the nation historically in investing in the education of handicapped children and in sensitizing parents and educators to the importance of identifying and appropriately educating such children. This education can be and often is extremely costly. While the national average of handicapped children assigned to special education is 10-11%, New Jersey's annual average is 16%. This leads to the final flaw in the US DOE data. If the U.S. Department of Education is interested in measuring differences among the states in spending for the education all children receive, that is "regular education," it should take a page from the New Jersey Supreme Court's 1990 decision to which I will allude later. The Court made it clear that the measure of equity must be spending for regular education, that is, it must exclude the excess costs of categorical programs such as the education of handicapped children and bilingual education as well as the costs of transportation. The reason: this funding is targeted to discrete needs of individually qualified children. The monies follow the children wherever they go.

The New Jersey Struggle

The New Jersey struggle began in 1969, when *Robinson v. Cahill*, the state's first school financing lawsuit was filed. Since 1972, when the *Robinson* trial court decision issued, there has been official recognition of serious funding disparities and inefficiencies in the delivery of public education to New Jersey's poor children. In 1973, the New Jersey Supreme Court declared the prior statute unconstitutional and proclaimed the right of all New Jersey children to equal educational opportunity. It took four more decisions of the Court to force the Legislature to enact a new statute. The statute (P.L.1975, c.212) was not funded until 1976-77. In 1976 (*Robinson* V, 69 N.J. 449), all of the Supreme Court justices raised serious questions about whether the new formula would meet the constitutional imperative. *See Abbott v. Burke*, 100 N.J. 269, 287(1985) (*Abbott I*). Nevertheless they found the statute facially constitutional because

they believed that a newly enacted system of detailed state oversight would detect any funding problems. Further, they expected the Legislature to deal with the widely recognized problem of municipal overburden in New Jersey's very poor cities.

The faith of the Court in the executive and legislative branches was misplaced. The Commissioner of Education failed to implement key sections of the new law, such as the requirement for an annual review of the sufficiency of district budgets. The Legislature did nothing to deal with the increasingly serious problem of urban poverty and the cities' inability to raise sufficient revenues to support education. Moreover, in 1979, legislation was enacted to reduce the equalizing factor of the formula which the Court had approved. Then, year after year, the Governor and Legislature underfunded the amended formula, prorating further reductions in equalization aid. In 1977, 56.8% of state aid was directed toward equalizing expenditures between property-rich and property-poor school districts. By 1987, equalization funding had been reduced to 49.3% of state aid.

The opposition of New Jersey officials to remedying disparate school funding grew even more adamant with the filing of *Abbott v. Burke* on February 5, 1981. The State has done everything possible to frustrate resolution of the case. Defendants Commissioner and State Board of Education, represented by the Attorney General, delayed trials scheduled in 1983 and in early 1986 by failing to meet discovery deadlines and by filing 11th hour motions. At the nine month trial eventually held in 1986-87, the State refused to agree to a single fact introduced by plaintiffs, including census data.

In the face of unrefuted facts detailing the inferior level of education afforded New Jersey's poorest children, the Commissioner of Education's position was that equity is not required under the New Jersey Constitution; that money spent on education is totally unrelated to educational results, that, *e.g.*, there is no research showing that a student who has only inferior science lab facilities in high school cannot succeed in college; that municipal overburden is a myth, and that cities could assure more money for education under the present formula by increasing their property tax rates (already much higher than suburban school tax rates); that, if given more time, state monitoring, and, if necessary, state takeover of more urban districts would resolve their present failure to

provide the minimum education which, in the Commissioner's view, is all that the State Constitution requires. See Exhibit 2, attached, for the Supreme Court's response to the State's position.

The New Jersey Supreme Court heard oral argument in September 1989 and issued what many consider a landmark decision on June 5, 1990. For the first time in the history of school finance litigation, a state Supreme Court ruled that the State must provide *more* funding for the education of poor urban children than for children in affluent school districts. In sum, the Court ordered that the State must assure funding for regular education in New Jersey's poorer urban districts that is substantially equal to funding in the state's most affluent districts and further, because of the demonstrably greater educational needs of poor children, that the State must assure sufficient funding for programs which these children need in order to be fully prepared to compete with children in more affluent districts. Additionally, the Court required that funding be *certain* every year, not dependent on local budgeting and taxing decision, and that tax rates in poor urban districts not be increased. Finally, the Court declared unconstitutional minimum aid aimed only at affluent districts, and permitted the State to phase in funding parity for regular education at the same time that it phased out funding of minimum aid.

Facts before the Court established that in 1987 as in 1972, poor urban schools employed fewer and lower-paid teachers, had larger classes, offered fewer programs, provided narrower curriculum, and housed students in older, overcrowded, ill-equipped, and less educationally appropriate facilities than wealthier school districts. In many cases, conditions had worsened since 1972.

In the *Robinson* trial decision, e.g., Judge Theodore Botter found that only three of Paterson's 26 elementary schools had libraries or librarians. In 1987 there were none. As of 1979, districts such as Newark, Paterson and Camden had to drop elementary school librarians and teachers of art, music and physical education from their staff. By 1987, children in Paterson, Jersey City, East Orange, Newark and many other urban districts were attending classes in storage rooms, furnace rooms, coatrooms, auditorium

balconies, and abandoned warehouses. In Asbury Park K-4 classes were on double session. In an Irvington school 11 classes were housed simultaneously in an auditorium.

Average elementary school class size (including K-3 classes) in poor districts had grown from 27 to 32 (with some classes numbering 39). In 1987 overlarge classes in urban districts precluded mainstreaming handicapped children. Bilingual classes numbered as many as 37 children on four grade levels, speaking three different languages.

In 1972, Camden science facilities were found to be deficient. By 1987 most Camden high school laboratory sciences were taught in regular classrooms, devoid of equipment. Similarly, there was no lab equipment for East Orange junior high students, and Paterson high school labs were without running water. While suburban districts, such as Moorestown or South Orange/Maplewood or Ridgefield, could provide a recommended ratio of one computer for every 12 children, assuring that all children have access to computers, poor districts like Newark, East Orange, and Camden could afford equipment to provide computer education to only 1% to 4% of their students. While suburban children were provided foreign language instruction as early as kindergarten or fourth grade, urban students were limited to a choice of two languages for two years beginning in the 9th or 10th grade.

The *Abbott* trial judge had found that disadvantaged children begin school two years behind their suburban peers and progressively lose more ground; that while suburban children rely on formal schooling for only 40-50% of their education, poor children have only the schools they attend on which to rely. Yet it is poor urban school districts, where childrens' needs are greatest, that had on average $1700 per child less to spend in 1989-90, when the Supreme Court decision issued.

Such disparities and concomitant inadequacies in the education of children whose only sin is to be born into poverty lead to disastrous consequences. The dropout rate in many of New Jersey's poor urban high schools is 50% or more. Recent Department of Education data show that some 16,000 students drop out annually, most of them urban youngsters. Many who do manage to graduate are functionally illiterate. A question

recently raised by Robert Winters, President and CEO of The Prudential is: "How long can we remain competitive when our economy is burdened by a huge under-educated population?" Chairman Winters also reminds that research shows a clear link between dropping out of school and criminal behavior. In New Jersey, as elsewhere, the fastest growing item in the state budget is the cost of corrections.

For at least 24 years, hundreds of thousands of urban children's chance for later life success has been jeopardized by New Jersey officials' refusal to accord them their constitutional right.

These conditions have obtained notwithstanding two prolonged and costly law suits. Education Law Center has spent more than $2.5 million on the *Abbott* litigation alone.

Justice Denied

Notwithstanding the unambiguous mandate of the *Abbott II* Court, we are now awaiting a trial decision on the State's failure to implement that mandate. In 1990, the Supreme Court found that in the 89-90 school year the total disparity in spending for regular education between the state's poorest urban districts and the most affluent districts (I & J) districts was $440 million. It ordered the State to enact legislation to be implemented by September 1991 which would cure that disparity in one year or through a phase-in, during which the State would phase out the special funding it had directed only to the wealthiest districts in the state.

Governor Florio, who had campaigned on school finance reform, took office in January 1990. He was faced with a large budget deficit as well as the need to fulfill his promise of school funding reform, but he chose not to wait for the Supreme Court decision, which issued only three weeks later on June 5, 1990. He urged and won adoption of the Quality Education Act and of income and sales tax increases of well over $2 billion, $1.1 billion of which was targeted to increased state support for education. When the *Abbott* Court spoke in its highly persuasive decision, no one listened, for a tax revolt was sweeping New Jersey. Off-year November 1990 election results demonstrated the seriousness of the tax revolt.

On March 15, 1991, therefore, the Legislature and the Governor backtracked. They enacted legislation which transferred $500 million originally targeted to education to statewide property tax relief. Funding originally designed to phase in parity in spending for regular education was significantly reduced as was at-risk funding, targeted to meet the special educational needs of poor urban children.

The failure of the amended QEA to phase in parity in spending for regular education within a five-year period is set out in Exhibit 3, attached. The total 1989-90 disparity of $440 million will be roughly the same in 1993-94. On the individual district level, there remain 11 poor urban districts in 1993-94 which have $2000+ less per pupil to spend on regular education than do average affluent districts.

As to the additional funding ordered by the Court to assure provision of programs and services needed by disadvantaged children, unrefuted proofs offered by *Abbott* plaintiffs established that the funding is woefully inadequate. The State has yet to identify and cost out programs which the children need. The present Assistant Commissioner of Education testified in August 1992 that the current allocation of at-risk funding is approximately one-third what it should be to meet the program needs of poor children.

Across the state, school financing is in shambles. School tax rates in middle income districts have risen dramatically (as they have in 18 of the 30 "special needs" districts). Through drastically reduced caps on total spending in affluent districts, programs and services are being reduced. Per pupil disparities, however, remain obscenely high. In 1992-93 (excluding the highest and lowest spending outlier districts), per pupil spending for K to 12 regular education ranges from the $4,035 to $11,096, with a statewide average of $6,818. Tax rates per $100 of equalized valuation range from $0.19 to $2.50, with a statewide average of $1.07.

What we are heading for, therefore, is another New Jersey lawsuit seeking what the Supreme Court promised in 1990 that it might well consider in the future: mandated state-wide equity.

The Federal Government and Disparate School Financing

To date, with few exceptions, only one branch of government -- the judiciary at the state level -- has recognized and attempted to remedy the very serious problem of inequitable school financing. In urging the federal government to take action to end the travesty of historic injustice to poor public school children exemplified by the history of New Jersey, I invoke the words of the new Jersey Supreme Court, words which apply to many other states:

> Clearly, we are failing to solve this problem. It is the problem of bringing this important and increasingly isolated class into the life of America, for this is not just a New Jersey problem. There is progress, and there are some successes in education, but the central truth is that the poor remain plunged in poverty and severe educational deprivation . . . . [New Jersey's] large black and hispanic population is more concentrated in poor urban areas and will remain isolated from the rest of society unless this educational deficiency in poorer urban districts is addressed.
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> While the constitutional measure of the educational deficiency is its impact on the lives of these students, we are also aware of its potential impact on the entire state and its economy -- not only on its social and cultural fabric -- but on its material well being, on its jobs, industry and business. Economists and business leaders say that our state's economic well-being is dependent on more skilled workers, technically proficient workers, literate and well-educated citizens. And they point to the urban poor as an integral part of our future economic strength. In short, they urge the state to go about the business of substantially improving the education of the very subjects of this litigation, the students in the poor urban districts. So it is not just that their future depends on the State, the state's future depends on them. That part of the constitutional standard requiring an education that will enable the urban poor to compete in the marketplace, to take their share of leadership and professional positions, assumes a new significance.
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> We note a further impact on the continuing constitutional failure. Soon, one third of our citizens will be black or hispanic, and many of them will be undereducated. This substantial segment of our population is isolated in a separate culture, in a society they see as rich and poor, for to the urban poor, all other classes are rich. There is despair, and sometimes bitterness and hostility.
>
> The fact is that a large part of our society is disintegrating, so large a part that it cannot help but affect the rest. Everyone's future is at stake, and not just the poor's.
>
> *Abbott II*, 119 N.J. 287, 392-93

These words suggest what I believe is the first obligation of elected officials, which is to use the bully pulpit -- both through Congressional findings and legislation and through admonitions of the executive, principally the Secretary of Education, to help

people in this nation understand that failing to provide excellent education to poor children is inviting a national crisis, both economic and social.

In a July 28, 1993, news release from the United States Department of Education concerning *The Condition of Education*, however, not a word was addressed to inequities in funding education. Rather, we were given many findings concerning differences both in access to programs and in educational outcomes between children from low income and high income families. But there is not even a hint that many of the children from low-income families also attend low-funded schools and vice versa. Indeed the Department of Education has never done a study of intra-state funding disparities.[2]

As I read the July 28 release, I was affronted by the following words of Secretary Riley:

> We know that ALL children can learn and ALL students benefit from clear expectations and high standards. Accepting second best from a disadvantaged child can condemn that student to a second-class life as an adult -- and thereby continue a cycle of failure and disappointment into another generation. I urge everyone to focus on the central theme of President Clinton's GOALS 2000 legislation -- high standards equal higher achievement.

Of course we should not accept second best from the disadvantaged child, but we should begin by not given that child second best. As to President Clinton's GOALS 2000 legislation (similar to President Bush's program), many throughout the country -- I among them -- fear that national standards will underscore and perpetuate disparities between affluent and poor schools.

As an example, mathematics standards (now developed) and a companion set of standards for teachers require costly teacher retraining and wider use of computers and calculators, the costs of which represent hefty investments even for well-financed school districts. As noted in "The Fight Over National Standards" (*NY Times*, August 1, 1993, §4A, p. 14), "We can envision a scenario in which wealthier districts could muster their resources to buy the necessary equipment and pay for teacher retraining, leaving behind children in poor districts."

As Augustus F. Hawkins, retired Chairman of the House Committee on Education and Labor said on December 19, 1990, "If the Bush Administration is at all serious about achieving national goals in education, it must join the Congress in redressing the

damaging consequences of fiscal inequity, I hope that Congress will make this a priority in 1991."

Perhaps two years later, in 1993, the Clinton Administration and Congress will take up Mr. Hawkins' challenge. I recommend that this Committee require and fund a U.S.D.O.E. study of intra-state disparities in per pupil spending for regular education. I further recommend that this Committee revisit both the Fair Chance Act, introduced by Mr. Hawkins in January 1990, and the recommendations of the December 1990 study described above. The thrust of both of these is to require equitable statewide funding as a condition of federal funding.

I offer two additional recommendations for Congressional action which are designed to encourage school finance reform at the state level and for which there is ample precedent in federal laws governing educating of the handicapped.

Since the late 1970's, Congress has appropriately encouraged implementation of the Education of the Handicapped Act ("EHA"), now entitled the Disabilities Education Act, 20 U.S.C. §§1400-1485(1990), as well as Section 504 of the Rehabilitation Act of 1973, 28 U.S.C.§794, through the provision to the states of Protection and Advocacy funds. These funds are distributed to *bona fide* advocates of the rights of the handicapped to enable them to act as private attorneys general. Although I do not pretend to know how such funds are prorated for distribution to the states, I do know that many non-profit agencies, such as the Education Law Center offices in Pennsylvania receive substantial P & A funding which they use to great advantage to protect the rights of handicapped children.

Notwithstanding the critical importance to the nation of equitable funding for the education of poor children and the complexity and high cost of school finance reform litigation, no such assistance has ever been forthcoming from Congress. Those who bear the costs are either not-for-profit agencies or low-funded school districts, who are already financially pressed.

I recommend that this Committee seriously consider legislation designed to assist in funding school finance reform litigation in all states receiving Chapter I funding.

Unlike current Protection and Advocacy aid, however, such funding should not be distributed through state officials, who are the defendants in all funding challenges. Rather, it should be directly awarded whether through the Department of Education or of Justice upon a showing of facts warranting such a challenge and the capacity of the applicant to litigate the case.

My second recommendation is similarly related to laws governing the education of handicapped children. I ask that this Committee consider recommending that attorneys' fees and costs be awarded prevailing plaintiffs in school finance cases just as they are under the Handicapped Children's Protection Act, 20 U.S.C.§§1415(e)(4)(B)-(G) and 1415(f) (1988). The award of attorney's fees should perhaps be made a condition of a state's receipt of federal funds. Not only would such legislation assist and encourage plaintiffs to bring such action. It may well discourage states from the delaying tactics which often seem designed to put plaintiffs out of business. The ticking clock on fees and costs may serve to dampen the determination of states' attorneys general and legislators to avoid for as long as possible resolution of these cases.

Any such legislation, whether based on the Commerce Clause or the Spending power of Congress, should, I suggest, set forth the strong national interest in assuring equal educational opportunity to all of the nation's public school children.

Finally, if it is within the purview of this Committee, I suggest that Attorney General Reno be asked to investigate the possibility of the Department of Justice joining some state litigants in revisiting *San Antonio Independent School District v. Rodriguez*, 411 U.S. 28 (1973) in a case which represents a confluence of low income districts, and low-income and largely minority children. Such facts coupled with proofs showing both fiscal and educational deprivation as well as concomitant differences in educational results may well provide what the Supreme Court lacked in *Rodriguez* when it refused to declare education a fundamental right under the United States Constitution.

To urge your serious consideration of these suggestions, I will end as I began with the words of the New Jersey Supreme Court: "The children have already waited too long."

Post Script: As a C-SPAN addict, I have seen some of last week's testimony before this Committee dealing with what I consider the irrational question, "Does money make a difference?," suggesting that the laws of economics stop at the school house door. Like plaintiffs in many other recent school finance cases, *Abbott* plaintiffs are familiar with Professor Hanushak as well as Professors Garms, Guthrie, and Walburg, who are among the proponents of production-function analysis of educational outcomes in arguing that money makes no difference. They were examined and cross-examined extensively in the *Abbott* trial, and were rejected by the Supreme Court in *Abbott II* as failing to show that money makes no difference, with the Court noting with approval the trial judge's characterization of such studies as "relatively primitive." 119 N.J. at 287. The court was persuaded that no use of outcome measures could substitute for critical resources such as early childhood programs, well-equipped facilities, small class size, well-paid teachers and a host of other research-tested interventions which are essential if public schools are to successfully compensate for the social and economic deprivation of poor children.

Can money be used more effectively? Of course it can. But are outcome based assessments the answer. Of course they are not. As to outcome based incentives, Professor David H. Monk states:

> This policy response can be viewed as a strategy, perhaps an ingenious strategy, that successfully finesses the ignorance that characterizes our knowledge of the underlying education production functions.[3]

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[1] Orfield, G., "Public School Desegregation in the United States," Joint Center for Political Studies (1983).

[2] The only study of the effect of intra-state spending gaps on the quality of education was released in December 1990. It was prepared by William Taylor and Diane Piché for the House Committee on Education and Labor. The study relied almost exclusively on court records.

[3] "Education Productivity Research: An Update and Assessment of Its Role in Education Finance Reform," *Educational Evaluation and Policy Analysis*. Winter, 1992, Vol. 14, No. 4, 307-332 at 308. *See also* Richard J. Murnane, "Interpreting the Evidence on "Does Money Matter?" *Harvard Journal on Legislation*, Vol. 28: 457.

Ranking of States in Terms of Elementary and Secondary Education Expenditures per $1,000 Personal Income, 1989-90

1 -	$80.07 Alaska	26 -	47.34 Iowa
2 -	78.70 Wyoming	27 -	46.70 Indiana
3 -	61.38 Montana	28 -	46.62 Ohio
4 -	58.30 Vermont	29 -	46.36 Idaho
5 -	56.89 Oregon		46.23 NATIONAL AVERAGE
		30 -	46.11 KANSAS
6 -	56.80 Utah	31 -	46.13 Oklahoma
7 -	56.69 New Mexico	32 -	46.05 Colorado
8 -	56.27 North Dakota	33 -	45.26 Rhode Island
9 -	54.80 South Carolina	34 -	44.96 Arkansas
10-	53.96 Maine	35 -	44.94 Virginia
11-	53.48 Wisconsin	36 -	44.83 Florida
12-	52.69 West Virginia	37 -	44.21 Delaware
13-	52.23 Texas	38 -	43.58 Missouri
	52.23 Minnesota	39 -	43.12 Nevada
15-	52.16 New York	40 -	43.00 NEW JERSEY
16-	51.71 Mississippi	41 -	41.71 California
17-	51.38 Nebraska	42 -	41.66 Alabama
18-	51.14 Louisiana	43 -	41.33 New Hampshire
19-	51.13 South Dakota	44 -	40.44 Connecticut
20-	50.94 Washington	45 -	40.39 District of Columbia
21-	50.27 Arizona	46 -	40.16 Maryland
22-	49.38 Michigan	47 -	39.02 Kentucky
23-	49.33 Georgia	48 -	37.43 Illinois
24-	49.31 North Carolina	49 -	36.70 Tennessee
25-	48.34 Pennsylvania	50 -	33.88 Massachusetts
		51 -	33.33 Hawaii

Source: U.S.Bureau of the Census, Government Finances in 1989-90. Series GF/90-5. USGPO, 1991; Table 31. Relation of Selected State and Local Government Financial Items to $1,000 Personal Income, by State: 1989-90 (Elementary and Secondary Education).

Abbott v. Burke (*Abbott II*) is the first decision in the twenty-year history of school finance reform to require that a state provide *more* funding for urban children's education than for suburban children's education. The New Jersey Supreme Court recognized that poor urban children have greater educational needs than their suburban counterparts. On June 5, 1990, the Supreme Court struck down the State's school funding law (ch. 212) as unconstitutional, and ordered the State to enact a new law which would truly meet the needs of poor urban schoolchildren.

In *Abbott*, the Supreme Court considered whether the State had met its constitutional obligation to provide a "thorough and efficient education" to poor urban children. The Court began by examining the meaning of "thorough and efficient," as follows:

> *Thorough and efficient means more than teaching the skills needed to compete in the labor market, as critically important as that may be. It means being able to fulfill one's role as a citizen, a role that encompasses far more than merely registering to vote. It means the ability to participate fully in society, in the life of one's community, the ability to appreciate music, art, and literature, and the ability to share all of that with friends. [Abbott v. Burke, 119 N.J. 289, 363-4 (1990) (Abbott II).]*

Measured against this standard, the Court found, the State had failed miserably:

> *[T]he level of education offered to students in some of the poorer urban districts is tragically inadequate. Many opportunities offered to students in richer suburban districts are denied to them....We note...that these poorer districts offer curricula denuded not only of advanced academic courses but of virtually every subject that ties a child, particularly a child with academic problems, to school -- of art, music, drama, athletics, even, to a very substantial degree, of science and social studies. [Id. at 359, 364-5.]*

Having identified the problem, the Court looked to a solution. The State had argued that more money would not help the urban districts. The Court rejected this argument in these words:

> *If the claim is that additional funding will not enable the poorer urban districts to satisfy the thorough and efficient test, the constitutional answer is that they are entitled to pass or fail with at least the same amount of money as their competitors.*
>
> *If the claim is that these students simply cannot make it, the constitutional answer is, give them a chance.*
>
> *The students of Newark and Trenton are no less citizens than their friends in Millburn and Princeton. [Id. at 375.]*

Based on this rationale, the Court ordered that the State *assure* and *guarantee* substantial equality in spending for regular education between each poor urban district and average spending in the I and J districts. *Id.* at 295.

Parity in regular education spending, however, was not enough. The Court recognized that the needs of poor urban children "vastly exceed those of others, especially those from richer districts." *Id.* at 369. Consequently, the Court found,

> *[I]n order to achieve the constitutional standard for the students from these poorer urban districts -- the ability to function in that society entered by their relatively advantaged peers -- the totality of the districts' educational offering must contain elements over and above those found in the affluent suburban district. [Id. at 374.]*

Accordingly, the Court required the State to provide *additional* funding, funding which is adequate to support the special programs needed by poor children to help compensate for their extreme disadvantages. *Id.* at 385.

The *Abbott* Court addressed several other issues. First, it required that the State provide *certainty* of funding, every year, and decreed that "funding cannot depend on the budgeting and taxing decisions of local school boards." *Id.* Next, the Court recognized that municipal overburden is killing the cities and that new legislation should not require cities to increase their school tax rates. *Id.* at 388-389.

In addition, the Court found minimum aid to be counter-equalizing and, therefore, unconstitutional. It ordered the Legislature to eliminate such aid. *Id.* at 382. Finally, the Court permitted the Legislature to phase in parity in regular education spending, and stated that if parity were phased in, the Legislature could phase out minimum aid under the same timetable. *Id.* at 383.

Total Disparity

Total Disparity in Regular Education Spending between I and J and Special Needs Districts, 1989-90 to 1995-96 (assuming 93-94 PCI of 4%, 94-95 PCI of 3%, 95-96 PCI of 3%)

	1989-90	1990-91	1991-92	1992-93	1993-94*	1994-95*	1995-96*
I & J spending/p for regular education X SN enrollment		$2,036,726,153	$2,127,873,414	$2,233,151,733	$2,547,254,468	$2,639,862,234	
Special Need's total spending for regular education		1,435,056,336	1,545,595,288	1,758,007,903	2,101,339,636	2,193,802,031	
Total disparity	$ 440,000,000	$ 601,669,817	$ 582,278,126	$ 475,143,830	$ 446,014,832	$ 440,060,203	$ 453,389,353

* includes TPAF

Sources:

Column #1, line 3: Abbott v. Burke, 119 N.J. at 386 for 28 districts
Column #2, line 1: "Relative Spending," line 1, col 3 X "District-wide Resident Enrollment," Totals, col 6
line 2: "1991-92 Special Needs' Spending," Totals, col 1
Column #3, line 1: "Relative Spending," line 1, col 5 X "District-wide Resident Enrollment," Totals, col 7
line 2: "Special Needs Algorithm - Listing," sum of column 1
Column #4, line 1: "Relative Spending," line 1, col 7 X "District-wide Resident Enrollment," Totals, col 7
line 2: "Actual Shortfall: 1992-93," Totals, col 4
Column #5, line 1: $8,209 X 1.04 + $770 X 1.075 X "District-wide Resident Enrollment," Totals, col 7
line 2: "1994-95 Shortfall (3%PCI)" sum of col 1
Column #6, line 1: $8,209 X 1.04 X 1.03 + $770 X 1.075 X1.075 X "District-wide Resident Enrollment," Totals, col 7
line 2: "1995-96 Shortfall (3% PCI)" sum of col 1
Column #7, line 3:"1995-96 Shortfall (3% PCI)" column 7 TOTALS

Senator WELLSTONE. That did catch my attention as I was going through your written testimony.

Dr. Gittell.

Ms. GITTELL. I want to thank you for allowing me to appear today and present some testimony. I will try to shorten my points and direct my attention to areas that have not been covered. My paper is there for the record, so I won't go into detail.

I think there are several issues that have not yet been covered that are important. The first is that this is not a simple issue; that is, we are struggling with this question of the conflict between excellence and equality which has been a strain in the politics of education, and I think de Tocqueville would say a strain on American life for its history.

But as regards education, we certainly see that we go through cycles from wanting to improve excellence, in quotation marks, and pursuing equality. And we do that as a society, and these concepts, although not necessarily in conflict, often are in conflict because in the end, the public policy must determine the allocation of resources.

In the 1960's and 1970's, we were in a period of pursuing equality, and that equality was pursued in the compensatory programs of that period up through 1975, with probably a landmark piece of legislation in the handicapped legislation. The Federal role was one of establishing equality as the primary priority.

In the 1980's, on the other hand, we pursued excellence, and when we pursued excellence, we abandoned equality. Historically, that has been the case. That is not to suggest we can't pursue both. However, the pursuit of both requires the tremendous investment of resources and a prior commitment to equality.

It is my view—and I think the evidence will bear this out—that you cannot achieve equality through excellence; that is, the emphasis on excellence. However, the only way to achieve excellence for a wider spectrum of the population is to pursue equality. And I think what has happened in the Goals 2000 legislation is that we have taken the wrong tack. We are pursuing excellence and having, at least from the point of view of maybe the Secretary or his undersecretaries, a subterfuge of equality rather than a direct commitment to that goal and that priority.

I think if you look at the history of the politics of education, that never works. And I would strongly suggest that this committee look to that issue of whether or not, by the emphasis on standards, one can ever achieve the goal of equality.

One thing I do want to say about the Goals 2000 legislation, perhaps because the Governors were the source of the legislation, is that it doesn't embody a really strong Federal leadership role. There are some good things about having the legislation emerge from the Governors' conference and to have strong support by the Governors for the legislation, and a Secretary who was a Governor, and a President who was a Governor—and since I wrote about progressive federalism in the book you mentioned, Choosing Equality, I am committed to that notion of a vitality of three levels of the system. However, we need the Federal role, and what seems to be abandoned here is that very Federal role, for which we have a very strong tradition not only in the courts, by the way, but also in the

precedents of the homestead legislation and certainly in the 1960's in the title acts.

The research on that period suggests that we did close the gap in standards during that period of pursuing equality. So that the evidence during the 1980's, what the outcomes were from that emphasis on excellence, is highly questionable. We widened the gap, which I think confirms my suggestion to you that this is not a simple proposition and that the conflict in these concepts is something we should address in developing public policies and legislation.

I think we need to build on the 1960's legislation, and that was not just an emphasis on equality, which I think is so important, but it also was an emphasis on recognizing the importance of governance and school politics and the fact that we need to establish a public discourse.

I would not call for a new study, frankly. I would call for a way to improve and expand on public discourse on public education issue. Michael Katz wrote an article recently on Chicago school reform, and said "This is our last ditch hope"—and this is an optimist, those of you who know his work. If Chicago doesn't succeed, we are going to turn public education over to the private sector. We have got to all have some sensibility about the importance of the Chicago experiment. And I strongly support his view on that and have written a great deal on it.

What is lacking from Goals 2000 is the commitment to expanding the public discourse and creating standards out of that public discourse and expanding the participation of parents and community in school decisionmaking. That requires school reform, especially urban school reform. It is my view that not only can you not achieve excellence through just the emphasis on excellence rather than equality, but I don't think you can achieve it unless we expand who is making the decisions about education at the State and local levels. We cannot rely on solely professional decisionmaking about standards. And when you emphasize excellence, you tend to emphasize professional definitions and what excellence in standards is.

I would suggest to you strongly that what we need in the Federal legislation is a way to expand on who participates in the States in the development of their plans, for one thing, but also in the governance of schools for another. So that immediately built into that legislation could be a requirement that States submit with their plans stronger emphasis on the stakeholders who are participating and governance plans for the future, and that that be a part of the determination of whether or not their plans are acceptable.

In other words, I would say there are certainly three things that have to come into the Federal role—that stress on equality, without which we have nothing; a stress on governance and public discourse, and that the State plans must provide for that; and then an emphasis on excellence.

I would recommend to you, as a matter of fact, here the fact that we have a model in the State that everyone thinks has done the best job on school reform, and that is the State of Kentucky. What did Kentucky do as a result of the court case? It did three things. It changed school governance; it presented a radical reform of school governance structure. It changed financial formulas within

the State for allocation of funds, and then it also changed standards. But it did all three things together, and I would suggest to you that the Federal Government has to be doing all three things in this legislation and that the emphasis currently on standards is totally insufficient to accomplishing any change in American education and that we have all of the evidence to support that view.

So just to reiterate, I think we have to build on where we were headed earlier in the 1960's, where the Federal legislation, by the way, called for participation of new stakeholders in the decisionmaking. And the reason I suggested the handicapped legislation was landmark is because the Federal Government required in that legislation that no plan could be accepted by a school for an individual child who had special needs without the approval of the parent, and that the decision for the plan ideally was to be made by a number of different participants and not by school professionals alone.

We were moving in a very important direction and then got waylaid in the 1980's, and I would strongly suggest that we take back that direction we had in the 1960's.

Thank you.

[The prepared statement of Ms. Gittell follows:]

PREPARED STATEMENT OF MARILYN GITTELL

de Tocqueville's prediction at the beginning of the 19th century that the U.S. would struggle with the conflict between its values of liberty and equality has been reflected most dramatically in the historical debates over the priorities of American education. While the European welfare state grew welfare and health programs, the United States made a major investment in public education. And that investment had a distinctively American aspect. Legally controlled by the states, education was soon made compulsory under state law but local schools and school districts were responsible for implementation of the general state policies.

Within this scheme there was a constant reappraisal of the relative importance of guaranteeing the society's commitment to equality defined in education goals as universal access, equitable standards, and equitable distribution of resources. Democratic processes were translated into the governance structure by valuing participation of a broad cross section of stakeholders in the education decision making process.

The countervailing value of education excellence gave priority to the preparation of an educated elite. It eschewed the goal of equality, stressing instead the need to invest major resources in those who would run the system. The emphasis on a high quality of education excellence necessarily concentrated on profes-ionally defined goals and standards of performance. The development of a universal curriculum was devised to establish rewards based on competitive performance. The universal curriculum was rationalized as synonymous with equal opportunity for learning; everyone was treated "equally." In fact, students were subjected to a competitive system, but not on an equal basis. No one can argue with the goal of high standards, but the real issues are how they are implemented and how resources are devoted to achieve them.

Although advocates for excellence and equality declare their support for both goals, the concepts translated into public policy are competitive. The reason has much to do with financial constraints and the politics of resource allocation. Education excellence can be satisfied by the investment of limited new resources and assurance that the most endowed receive the rewards of the system. Equity goals are far more costly, because they require that larger numbers of students receive the same benefits. The conflict occurs when resources are limited and choices have to be made.

When American society has been willing to make a major investment in education it has successfully combined its commitment to equal and high quality education. The Goals 2000 legislation has such limited funding available, that it seems to opt for the standards goal for reasons of financial exigency, eschewing the primary responsibility of the Federal government to promote equity. In contrast, Kentucky's oft-cited model of education reform exemplifies that successful joining of excellence and equity goals, but was made with a major infusion of new funds. In its first year $700,000,000 was added to the state and local education budget, a 35% increase.[1] The Goals 2000 legislation budget is $400,000,000. It is apparent that the Federal government must raise the stakes to fulfill its most important responsibility. In fact, at a minimum, Chapter I funds should be added to the Goals 2000 dollars to provide better incentives for the states to correct their school aid formulae which are the source of gross inequities in school funding.

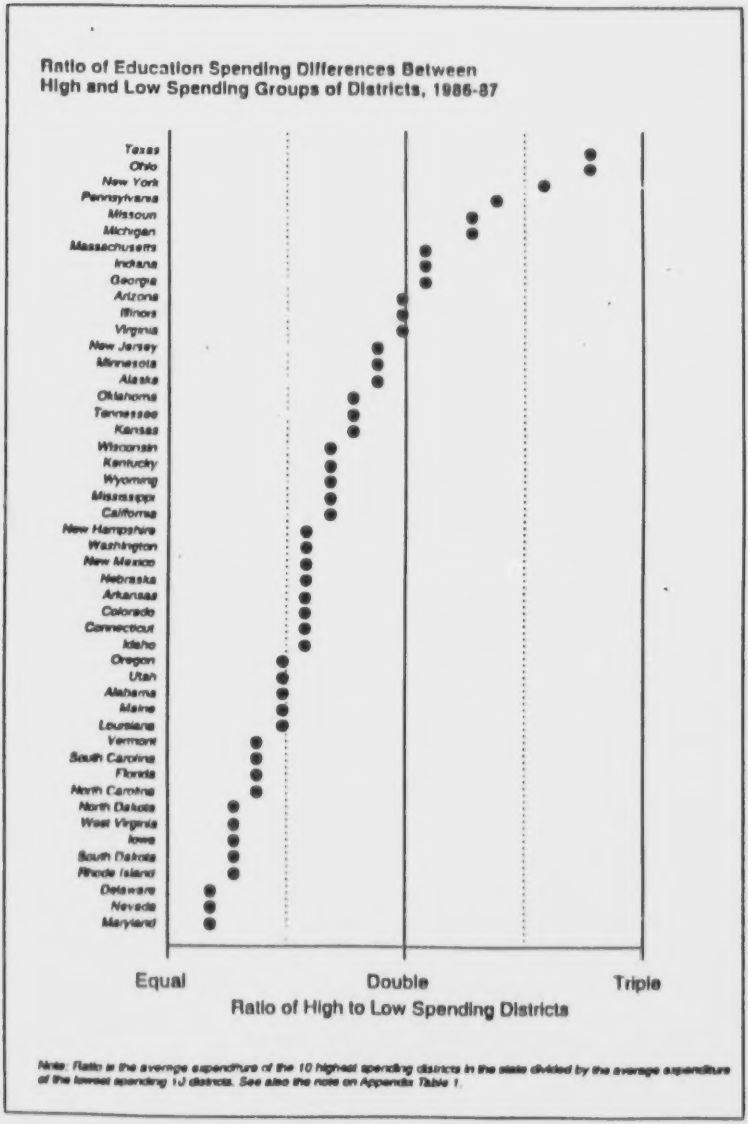
INEQUITY IN THE STATES

The problem of financial inequities in state school aid is fundamental to the issue of improvement of education in the United States and cannot be separated from the issue of opportunity to learn. Its importance is demonstrated by the fact that some of the largest and most progressive states are guilty of the worst abuses.

Table 1 provides data indicating the ways in which states have institutionalized inequities in distributing aid for education.[3]

These disparities have real impacts. The plaintiffs in the Alabama case entered evidence demonstrating that Alabama's highest funded system spent $4,820 per pupil while the lowest spent $2,371, less than half of the highest. That represents an annual disparity of over $61,000 per classroom of 25 students. Even using the most conservative measure presented, the court found a "$790 per pupil difference between the top and bottom quintiles (taking into account 40 percent, or more than 270,000 students) ...(which) amounted to a disparity of some $18,000 per classroom in a single year."[4] New Jersey, which ranked first in the nation in average per pupil expenditure, demonstrates the difficulties of over-reliance on property taxes for funding education. One study found not only that "the top five percent of districts spent nearly $3,500 more per pupil than the bottom five percent," but additionally that the "poorest districts taxed themselves on average at rates double those of the wealthiest districts but realized an average $1700 less per pupil than the wealthiest districts."[5] The Texas Supreme court found that the 100 wealthiest districts had average annual spending of $7,233 per pupil while the 100 poorest districts averaged only $2,978. Without ensuring that states redress such glaring inequities, there can be no real opportunity to learn, at least not for all students.

The differential between rich and poor districts has been the basis for wide ranging court cases in nearly half the states in the last decade.[6] While most of the state cases have been tried on whether or not the state constitution stipulates that state aid and/or total school finance should be roughly equal across the state, some more recent decisions have ruled more broadly. The Kentucky



[3]Source: The State of Inequality. Princeton: ETS Policy Information Center, 1991.

decision, for example, declared that the constitutional stipulation that the state provide an efficient system of common schools means Kentucky public schools "are the sole responsibility of the General Assembly...shall be free to all...shall be substantially uniform throughout the state...shall provide equal educational opportunities to all Kentucky children, regardless of place of residence or economic circumstances."[7] Chief Justice Stephens further declared that "the premise for the existence of common schools is that all children in Kentucky have a constitutional right to an adequate education."[8] The Kentucky court ruled not only that the financing was inequitable, but that the state system of governance that perpetuated both inequitable financing and the resulting gross disparities of opportunity among districts was also unconstitutional.

In Alabama Coalition for Equity, Inc. et al v. Hunt the Alabama court ruled that

> "the present system of public schools in Alabama violates the constitutional mandate of ... the Alabama Constitution, because the system of public schools fails to provide equitable and adequate educational opportunities to all schoolchildren...and fails to provide appropriate instruction and special services [to children with disabilities]."

In an astonishingly sweeping decision, the Alabama court ruled that children in the state of Alabama have a right not only to due process in the determination of state aid, but that they have a substantive right to both equitable and adequate educational opportunity provided by the state. In effect, they said that quality and equality are inseparable. The court admitted evidence as widely varying as textbook availability, a survey of the physical condition of the schools, classroom overcrowding, teacher salary comparisons, and the testimony of school finance experts. The Justices cited both John Adams and Thomas Jefferson to defend

the notion that Alabama's guarantee of a liberal education for all in fact means that education for the poor must be equitable, and more especially, adequate. The Justices show that Jefferson

> "cited illumination of the minds of the people as 'the most effectual means' of preventing tyranny; the representatives who make and administer laws, he said, 'should be rendered by liberal education worthy to receive and able to guard the sacred deposit of the rights and liberties of their fellow citizens, and ...they should be called to that charge without regard to wealth, birth or other accidental condition or circumstance."[9]

THE FEDERAL ROLE

The Goals 2000: Educate America Act attempts to address the need to renew creativity and promote improved student performance, and rightly recognizes that both standards and opportunities must be truly available for all students, regardless of income, residence, race, gender or disability. Much of the bill shows a keen understanding of the dynamics of the Federal system. The bill wisely relies on the states in a manner which promises to build reform from the bottom up, and focuses on local decision-making and responsibility. It is not, however, a surprise that the Governors who were so influential in shaping the Goals 2000 failed to appropriately recognize the Federal role in education.

In education the national role was late in coming and the equity function was initially assumed by the courts, first in Plessy v. Ferguson stating that separate was equal[10] then dramatically in the 1954 decision Brown v. Board of Education of Topeka recognizing that separate was unequal.[11] Later, in the early 1960's the national education title acts formulated Federal compensatory programs to redress the inequities in school systems perpetuated by

states and localities. Federal dollars, never more than 9% of education funding nationally, symbolized the commitment to the goal of equality. The legislation included financial incentives but more importantly provided Federal leadership and direction to the states. Those programs and others like them initiated in the decades of the 1960's and 1970's produced significant results in closing the gaps in opportunities to learn for a broader cross-section of the society. Certainly outcomes were essential to program evaluation, however, standards and testing were not priorities. Federal support and direction worked well with local programs designed specifically to respond to local populations. Some programs such as headstart, further demonstrated these new opportunities had to include such other elements as parent participation.[12]

A significant aspect of the education agenda of that era was the recognition of the political arena in which education decision making took place. The ESEA legislation supported mandatory and voluntary parent and community participation in school decisions. The 1975 Education for All Handicapped Children's Act was a landmark in the Federal role in education. The legislation established detailed requirements which prescribe how schools must make decisions for the future education of children with special needs. The law requires a plan to be prepared jointly by parents, teachers, counselors, and psychologists; importantly, however, parents are integral to the decision making process and no decision can be made without their approval. Federal law guarantees that every parent, rich or poor, black or white will be respected in their judgement of what is educationally sound for their child. This legislation moved the concept of opportunity to learn to another level. Education standards were now to apply to a population formerly excluded, and in addition the legislation recognized the importance of a parental role in the decision-making process.

Although the legislative intent was clear, the effect of Federal legislation was not always as intended. The compensatory priority of Federal aid was sometimes undermined by state, local and school district implementation. Federal regulations and lack of oversight contributed to distributions of Federal dollars according to state formulae. State programs were often inequitable and Federal grants programs reinforced those results. Chapter I funding is the most pointed example of a Federal policy gone awry. The GAO finds that many wealthy schools benefit from Chapter I while schools with considerably higher proportions of poor students are underfunded.[13] Funds appropriated for poor students are routinely distributed to wealthy districts. In Illinois, for example, the formula means that only 64,000 of Chicago's 150,000 officially poor children are served; Chicago had ineligible schools with poverty rates as high as 53 percent. Meanwhile, schools with a 4 percent poverty rate in Schaumburg, a northwest Chicago suburb, receive Chapter I funding.[14] In New York, schools in the Oneonta system, which has a district poverty rate of 6 percent, receive $1612 per Chapter 1 student, while schools in the Edmeston system, which has a district poverty rate of 34 percent, receive only $761 per Chapter 1 student.[15] Most critics conclude that if Chapter I directed funding to schools instead of to individual children these inequities would be prevented.

ACHIEVING EXCELLENCE WITH EQUALITY

American education can only achieve its full potential under a dynamic Federal system that gets all segments working together to achieve its most important goals. Equality is the essential goal. Educational excellence necessarily will accompany equality for more of the population. An emphasis on standards and performance will not necessarily produce equality. The last decade of education reform gave us clear evidence of this fact. State school reform in the 1980's which has been so highly acclaimed, significantly

increased educational inequities. We improved quality for those who were already advantaged. Indeed, these state programs were implemented even as the block granting of Federal assistance under Chapter 2 diminished resources for urban schools and Federal aid to private schools grew.[16]

The results of the educational reforms of the 1960's are in sharp contrast to the results from the 1980's; the earlier reforms asserted equality as the major priority, however quality was to be achieved as a part of that effort. Indeed, changes in quality were notable. Assessments of compensatory education and SAT scores conducted by the National Assessment of Educational Progress prior to the cutbacks in the early 1980's found improvement in narrowing the gap between minority and white performance which can be attributed in part to the success of Title I.[17]

Goals 2000 fails to build on these accomplishments. While working to expand state efforts to achieve systemic reform, Goals 2000 treads too lightly on the issue of equity. Jennifer O'Day and Marshall Smith assert:

> "schools with large numbers of relatively disadvantaged students typically have less discretionary money, fewer well-trained teachers, and more problems that drain attention and energy from implementing complex reforms...[it is] unlikely that the reforms will reach the majority of schools with large numbers of disadvantaged students -- at least not until well after they are implemented in more advantaged schools."[18]

Goals 2000 could address these and other important issues with minor modifications by asserting the appropriate Federal role of pursuing equity.

The authorizing legislation should require eligible state plans to include plans for achieving equity, and should include target measures for improvement which affect eligibility for other Federal education funds. Without Federal incentives, some of the goals may be reached, but not for all children. Specifically, Section 213(c)(3)(E) which deals with the Voluntary National Opportunity to Learn Standards, should be amended to deal more precisely with the standards of equity expected to assure opportunity to learn for all students. Congress should not rely on the Standards Council to lead in this area, but should assert the national interest. Section 213(e)(2)(B)(iii), which outlines how certification standards shall be applied to state plans, should add reference to income or place of residence where it now "includes all students, especially students with disabilities or with limited English proficiency." In considering the simultaneous inclusion of demands for content and performance standards that surpass current standards for even the most advantaged students and programs, with support for restructuring, the Standards Council should be directed to be especially alert to the use of this legislation to justify state-level "hold-harmless" provisions. The legislation needs teeth on this point. Under Title III, the committee should consider increasing the amount the secretary can distribute to LEA's with large concentrations of poor students from 6% to 20% to assure their inclusion in state reform efforts.

The politics of education in America reflect other competing values in the larger political culture. Americans struggle to balance the need to preserve an inclusive, participatory and democratic policy-making process with the drive to attain efficiency and economy through professional centralization of decision making. Our Federal system allows us to retain local controls and responsiveness through the states and localities while utilizing Federal oversight and support to sustain the values of equity and fairness. Only at

the higher levels can we guarantee equity, thus a natural division of power persists.

Democratic process requires greater and continuing public discourse on education goals and standards in an expanded and more inclusive political arena. The Federal government's early leadership in engaging parents and community in the school decision process can be reinforced and enhanced in Goals 2000. Although provision is made in Section 306 to require broader representation in the state planning councils, the state plans they produce must be evaluated by the degree to which they construct governance structures to broaden the public debate and give stakeholders a direct role in school decision making. Only through broad based participation will the combined goals of equity and excellence be appropriately balanced. The Goals 2000 legislation should be specific in its recognition of all three goals: equity, excellence and broader participation in school decision making. The Federal emphasis must however be on equity. Our strong tradition of Federalism and local community based education should be the source of bottom up definitions of standards. Public discourse in communities gives vitality to education goals, not assessment tests and directives from Washington. Goals 2000 legislation at this juncture assumes that standards which apply to all in the same way will produce equity or that opportunity to learn encompasses equity goals. There is no evidence to support this claim. The federal government's role should be to provide leadership in this regard by requiring that plans for correcting school finance inequities be an essential part of Goals 2000 submissions. Several states have demonstrated their sense of responsibility and commitment to pursuing changes in their education financing structures, federal support for these efforts can be a deciding factor in achieving results. In addition other states could be offered support to initiate actions.

CONCLUSION

Better governance, broader participation, higher standards created by those new governance structures and more equitable funding should be tied together in the Federal legislation. The legislation should be straight-forward about its priorities. An essential part of the federal role is its assertion of national leadership in confirming social values and priorities. Equitable funding of schools and school districts is fundamental to our commitment to equality. Guaranteeing broader participation of a wider cross section of stakeholders in education confirms our commitment to the democratic political process. Encouraging higher state standards on a national scale demonstrates the vitality of the federal system.

Kentucky, the state most often cited as a model of school reform, was successful because it combined the three elements: a broadly based commission which devised a reform agenda and plan, a commitment to change school funding formulae to produce greater equity, and a movement toward higher standards of teaching and learning. The state leaders did not rely on rhetoric, they moved toward action with a sensitive recognition that all sectors of the society needed to be included in the pursuit of greater equality in education.

Further evidence of the importance of combining these three essential elements in any Federal legislation is the experience in states where the courts have made strong decisions regarding the legal requirements for equitable funding. In Texas the action of the court has been negated by the unwillingness of the legislature to act. State legislators apparently have no reason to redress the inequities suffered by powerless constituencies.The lack of a more inclusive political coalition supporting the redesign of the school aid legislation has been particularly costly. Successful court actions in Alabama and Connecticut, ruling in favor of finance

reform, on the other hand have been backed up by organized political groups representing a cross section of public interests. Their goals are publicized and clear; they include equity, and high standards to be achieved through new and more inclusive governance practices.

Federal legislation should at a minimum establish the priority of equitable funding, suggest the importance of a public discourse and encourage the development of state plans to correct inequities. Federal programs must do all they can to support a broader playing field, to insure that state and local school systems are more inclusive. School reform in America should be an ongoing and dynamic process, as is the democratic system itself.

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[1]Office of Education Accountability. Annual Report. Frankfurt, KY: December, 1992, p41.

[2]School finance experts and academic experts have yet to develop a consensus on the best way to measure inequity. While Table 1 employs a reasonable method for comparing any one state and demonstrates the extent of inequity, comparisons between states may sometimes be problematic. Appendix A presents an alternative design which uses comparable standard deviations of the county-level per-capita education spending in the states.

[4]from the Alabama decision, page 16. Based on testimony from Dr. Margaret Goertz.

[5]Center for Educational Policy Analysis. "The Rocky Road to School Finance Reform." Newsletter. New Brunswick, January 1993.

[6]decisions early in the 1980's upheld the existing formulas in AZ, MI, ID, OR, PA, OH, GA, CO, NY and MD, and struck down those in CA, NJ, KS, WI, CT, WA, WV, WY, and AK. Second wave decisions (late 1980's) include court support for systems in OK, NC, LA and SC, and decisions striking down systems in MT, KY, TX, NJ and TN. Source: The State of Inequality. Princeton: ETS Policy Information Center, 1991.

[7]Rose v. Council for Better Education, Inc., 209 KY 1989, p60.

[8]ibid.

[9]Alabama Coalition for Equity, Inc. v. Hunt, p95.

[10]Plessy v. Ferguson, 163 U.S. 537, 1896.

[11]Brown v. Board of Education of Topeka, Kansas, 347 U.S. 483, 1954.

[12]see Bastian, Fruchter, Gittell, Greer and Haskins. Choosing Equality: The Case for Democratic Schooling. Philadelphia: Temple University Press, 1986; also U.S. Department of Health and Human Services, A Review of Head Start Research since 1970, Washington D.C.: Office of Human Development Services, USHSS, 1983; and Nancy Mallory and Nancy Goldsmith. The Head Start Experience. ERIC: PS019322, 1991.

[13]see United States General Accounting Office, Remedial Education: Modifying Chapter I Formula Would Target More funds to Those Most in Need, 1992 (GAO/HRD-92-16); The Commission on Chapter 1, Making Schools Work for Children in Poverty: A New Framework, 1992.

[14]Michael Selinker. "Battle Heating Up Over Funding Formulas." Catalyst. February, 1993, p4.

[15]Education Policy Unit, Department of Public Policy, The Community Service Society of New York, 1993 (work in progress)

[16]Regina Kyle, ed., Kaleidoscope: Emerging Patterns of Response and Action in ECIA Case Studies of Chapter 2 in Selected States, report of the National Institute of Education by E.H. White & Co., Washington, D.C: U.S. Department of Education, July 1983, cited in Education Week, December 5, 1984, p1.

[17]see Has Title I Improved Education for Disadvantaged Students?: Evidence from Three National Assessments of Reading, report no. 84-D5-50 of the national Assessment of Educational Progress, Denver: Education Commission of the States, April 1981; and Robert m. Stonehill and Judith I. Anderson, An Evaluation of ESEA Title I - Program Operation and Educational Effects: A Report to Congress. Washington, D.C.: U.S. Department of Education, 1982.

[18]Jennifer A. O'Day and Marshall S. Smith. "Systemic Reform and Educational Opportunity." in Susan H. Fuhrman, Editor. Designing Coherent Education Policy: Improving the System. San Francisco: Jossey-Bass Publishers, dt.

Senator WELLSTONE. Thank you.

We will definitely need to conclude by one o'clock, and we have one other superb panel left, and I would like to ask you one or two questions, and then I hope it will be acceptable if I could get some questions to you in writing, or for that matter, pick up the phone and call, because I view this as a working together process.

Do the other two of you share Dr. Gittell's skepticism about Goals 2000? Let me just lay that on the table for a moment.

Mr. FERNANDEZ. I think she's absolutely right on target. It's one thing to set standards, but then to set standards and nothing else presents a problem. If in fact you are going to set out a group of standards—and we agree with that, incidentally; the Council is not opposed to the standards, but we are opposed to the standards without providing some resources in order to implement and to get at those standards. You have to equalize the playing field again. I think that was the case she was trying to make, that you can't impose standards and keep things exactly the way they are; it just won't work.

Senator WELLSTONE. Dr. Fernandez, if I could just ask you to build on that point, putting together both desirability—what you and probably I and others here would wish for—and feasibility, what would you suggest as—I have heard some of this from testimony already—but as a sort of action agenda? I mean, where would you start to focus the Federal role here—within this framework of what I heard from Dr. Gittell which had to do with—and I liked it, and I understand your point about equality and excellence, and then you talked about governance, and then you talked about excellence.

Mr. FERNANDEZ. Obviously, you are aware that this area is loaded with minefields because it is the responsibility of the State, and it is very tricky and technical. But I think what she said in terms of the Rodriguez case is very apropos. Certainly, legislatively, there is something that could be done in that area.

I also think that one of the things that should be done in terms of the discourse is to even come to the member cities. We welcome you. Have your hearings out there. Discuss this out in the open. Bring more people to the table than just the professionals, and you will be shocked at some of the things you will hear.

Senator WELLSTONE. And actually, I think that is something that this working group of Senators on the Labor and Human Resources Committee, with the support of the chair and the chair of the subcommittee, plan to do. It is something we have talked about, and I think we should.

Mr. FERNANDEZ. I think we should include in that some visits.

Senator WELLSTONE. I am tempted to make this my forum, and I don't want to, but I'm having kind of a tough time restraining myself here, because I think there is much that we could learn by doing that. And when I heard Dr. Gittell, one of the things that occurred to me is that coming from the Governors, I think in many ways is positive, but it did occur to me that Governors don't necessarily represent the involvement or the conversation, if you will. There are lots of other people at more of a grassroots level, at the State level, that I don't think have been included and need to be.

Mr. FERNANDEZ. Yes.

Ms. MORHAUSER. I actually, I think, started to give an answer to this in my original testimony in my request that you all in positions of great power to whom people listen when you speak do have an obligation, certainly, to come and listen to people, but also to speak of your recognition of the national priority of providing equal opportunity.

In New Jersey, we have wearied after 24 years of the continuing warfare over the distribution of pennies that the legislature comes up with, and we formed a coalition that includes all of the leaders in the education community as well as the Education Law Center, my agency. We need your voice. We need the voice of President Clinton and of Secretary Riley and of this committee. We need you to help us convince New Jerseyites that what the U.S. Supreme Court said about reform and assuring equity, that is, funding appropriate to the needs of the child, is in their interest.

I would agree certainly with Dr. Gittell that there needs to be more input by the public. I have some reservations about the Kentucky system, since one thing it threatens is one thing we have had in New Jersey, and that is takeover, which further removes from public participation any role in governance. We have been taken over districts, only appointed boards that may advise; all the decisions are made by the State official. So I have some real problems with the "stick" approach in Kentucky and with some other aspects of what has happened there.

As to Goals 2000, as a former teacher, I believe in setting the highest possible qualities, but I believe we do not do what Goals 2000 is going to do—proceed on that road of excellence that Dr. Gittell talked about and leave behind the children who have just as much to offer and can truly contribute to our society, but will never have an opportunity to reach those goals if equity isn't part of the goals for excellence.

Senator WELLSTONE. Thank you.

I thank each of you very much, and I would hope it would be all right with all of you if we are back in touch with you, and we will be.

Thank you.

Our third panel includes Kern Alexander, a professor at Virginia Tech—it's still VPI, though, right——

Mr. Alexander. And Virginia Tech.

Senator WELLSTONE. —and Virginia Tech in Blacksburg, VA. He has written extensively on the issues of school finance and school law. He is currently the executive editor of the Journal of Education Finance. He will address the issue of school equity as it affects rural schools and communities, and I am especially pleased that you will do that today.

Joe Nathan is a senior fellow at the University of Minnesota's Humphrey Institute of Public Affairs and Director of the Center for School Change, and well-known in Minnesota for being outspoken, for being a real risk-taker, and certainly someone whom I consider to be a very deep thinker and an important person in this whole area, as well as a very good friend.

And Paula Prahl is the director of education policy at the Minnesota Business Partnership, a research and public policy advocacy association of chief executive officers of the 105 largest employers

in Minnesota. Ms. Prahl directs the work of the education quality task force, which earlier this year issued a report on education finance.

And just to brag on Minnesota for a moment, I find it especially significant that the business community has been so centrally involved, and I appreciate your being here, Ms. Prahl.

We'll start out with Dr. Alexander.

STATEMENTS OF KERN ALEXANDER, VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY, RICHMOND, VA; JOE NATHAN, DIRECTOR, CENTER FOR SCHOOL CHANGE, MINNEAPOLIS, MN; AND PAULA J. PRAHL, DIRECTOR OF EDUCATION POLICY, MINNESOTA BUSINESS PARTNERSHIP, MINNEAPOLIS, MN

Mr. Alexander. Thank you, Senator, and thank you for inviting me to be here.

My comments today have to do with equity, adequacy, as well as the "money doesn't make a difference" argument. I obviously believe that equity and adequacy of educational funding is most important. As a matter of fact, I believe that the activity in the courts today, the State courts, is the most important educational initiative that is being undertaken. There is no doubt that there is no other that is turning and reforming education as the State courts are now doing.

I was the plaintiff's consultant in Burris v. Wilkerson back in 1968, which was the first suit of this type against the State of Virginia, and it was the first in the country. Later, I was the plaintiff's consultant in Kentucky, Tennessee, Alabama, Montana and Rhode Island cases; Rhode Island was just last month. I am presently working with Ohio, Pennsylvania, Indiana and South Dakota.

This effort, I believe, is one that brings to focus the problems of our legislative branch of Government and its inability to deal with the factional issues that involve education in every State and indeed the Nation.

The effort of this Nation to support education, the effort of these States to support education, is bound into the questions of equity and equality of opportunity.

Senator, I am sure you know or you feel the impact of the 1980's on education, elementary and secondary. The Federal Government's effort fell from $4 per $1,000 of personal income to less than $3 per $1,000.

The Federal Government's tax effort today to support elementary and secondary education is far less than it was in 1980. So I believe that certainly we should not approach the issues that you are raising by saying that we should not invest more in elementary and secondary education.

The problem of under-investment in this country, the under-investment in human capital, is the most disturbing aspect of our Nation's future. The disparities in educational opportunity that we are discussing here today are egregious in most States. I am working with Ohio at the present time. The rural school districts of Ohio and the core cities have joined together in a coalition. We have six of the eight core cities working with the poor rural school districts in an action against the State of Ohio. In fact, 500 school

districts out of the 612 have banded together against the State of Ohio to resolve this problem of educational inequity.

To give you an example of what we are talking about here and just use Ohio, which has more difficult circumstances than most States, the richest school district in Ohio has $22,000 per year in revenue per pupil. The poorest has $3,000. That is how much they have to spend per year. This is Ohio.

If you take the second school district in the State and compare it to the poorest, the second richest has $177,000 per year per classroom more than the poorest. Now, if you walk down the hallway of an elementary school and look in the door of each elementary classroom, each of those classrooms has $177,000 per year more than the poorest school district. Obviously, that's a great inequality of opportunity.

The top 10 percent of the students in Ohio have $350 million per year more for their education than the bottom 10 percent per year.

The concept that we have used and the concept that I think is extremely important to your considerations here is that education is a State function; it is a State system. All taxes are State taxes in those States, and all children are children of the State and not of the locality. What we have is a State-created system of inequality. It is much like segregation—the State creates by its State and local tax structure a system of educational disparity.

It is the claim of the poor children in these States that it is an equal protection question; it is an educational opportunity question when the State in fact itself creates the disparities.

The issue is this. There are three kinds of inequalities. The first is natural; nature creates inequalities, and the State cannot correct them all. But it should try. Second, there are economic and social inequalities. Third, there are those State-created inequalities to which we refer here. The Congress and the State Governments have a responsibility to see that the States themselves do not create these inequalities of opportunity. They can try to work with natural disparities and natural inequities. They can attempt to and they should deal with economic and social disparities that come from the marketplace and the operation of the system. But when the State creates these disparities in its funding system, then it is an interest of Congress, and it is certainly an interest of State Government.

We simply in these cases do not talk about cause and effect, Senator. We say that poor education from poor school districts have lower property wealth; they have lower incomes; they have generally poorer quality of curriculum—this is shown in these States. Their school districts many times put forth greater tax efforts. They score lower on test scores. And the State in turn gives them less money.

So the State sets them up in a system of having less resources and then in turn gives them less money.

Senator WELLSTONE. Dr. Alexander, I wonder if I could interrupt you for just one second. Senator Simon is between two committee hearings, and he wanted to briefly have the chance to make a statement. He has been so committed to this, and I wanted to give him the opportunity, and then we'll go right on, and I apologize.

OPENING STATEMENT OF SENATOR SIMON

Senator SIMON. And let me first commend my colleague from Minnesota who has shown great interest in this field. We jointly hosted a dinner here about 2 weeks ago where we brought in some people just to talk about this whole question of what not the Federal Government can do about school finance equalization.

I regret we have a hearing on assault weapons going on in the Judiciary Committee, and these things absolutely ought to be outlawed in our society, so I need to be two places at once.

But let me just say the figures that you use in Ohio are dramatic, and if I could make one minor correction, when you said $177,000 per classroom more, I just figure a classroom of 30 students——

Mr. Alexander. Twenty-five students, Senator.

Senator SIMON. Well, even at 25, you end up with more than $177,000 per classroom difference; at 30, it is $660,000 for one and $90,000 for the other, or $570,000 difference per classroom.

Second, in a country like Sweden, which does not have the inequities that we have in our society—and "Prahl" may be a Swedish name——

Ms. PRAHL. Danish.

Senator SIMON. —all right—but in Sweden, they spend two to three times as much in disadvantaged areas as they do in the more advantaged areas. We do precisely the opposite, and it is just irrational.

I would like to enter into the record—and my staff can provide this—an article that appeared in the Chicago Sun Times showing the differences in demand of a classroom where 95 percent of the students are below the poverty level, and another school district where 2 percent are below the poverty level—differences in crime and other things—and yet we are saying to the school that has relatively few problems that we are going to give it more than the other school. It just is irrational. I want to commend the witnesses, and I apologize for not being here longer, but I have this conflict.

[Article follows:]

Different Worlds For Two Schools

Rules Aren't Same in City, Suburbs

By Philip Franchino
Staff Writer

At the Hammond Elementary School on Chicago's West Side, there is a nifty computer laboratory that most of the kids dare not touch.

Sorry, kids, but those computers were purchased with federal money, with strings attached. Only the 250 students with the lowest test scores can use them.

Or move on out to Wood Dale in Du Page County, where Westview Elementary School has lots of computers. No strings attached.

In the heated debate over whether the state should spend more money on Chicago's public schools, opponents such as Gov. Edgar and Senate President James "Pate" Philip (R-Wood Dale) often point out that more money already is spent per pupil in the Chicago schools than the state average.

But as shown by a comparison of two elementary schools—one city and one suburban—such observations ignore the expensive realities of operating public schools in Chicago's poorest neighborhoods.

The Chicago school system, unlike those in towns such as Wood Dale, where Philip lives, by law must spend nearly a third of its budget not on basic education, but on programs aimed at dealing with the social problems faced by its students. Money that might go for textbooks and teacher salaries must be spent on special education for slow learners, bilingual education for immigrant children, and social services and intensive classes for the poorest children.

Subtract all that "categorical" money from Chicago's school budget, city officials insist, and the actual amount city schools spend on books, teachers and classrooms falls well below that spent in suburban and Downstate schools.

"If I had control of the entire budget we supposedly have right now," lamented Julio Rivera, principal of Hammond Elementary School, "I could run a program that would rival the program in any suburban school."

Julio Rivera

Moreover, city school officials point out, Chicago's aging schools, often afflicted with leaking roofs, crumbling walls and the like, create serious obstacles to learning and further drain the district's tight budget.

Indeed, after a 1970 fire destroyed part of the century-old Hammond school, the reconstruction eliminated 10 classrooms and caused overcrowding.

Class sizes at Westview average only 21 or 22 students; at Hammond, 35.

In an endless number of specific ways, Hammond School, at 2819 W. 21st Pl., and Westview School are social, educational and financial worlds apart.

At Westview, opportunities to learn—in quiet, comfortable and brightly lit surroundings—abound. Many classrooms open right onto the "media center," which is carpeted, roomy and lined with books. It has 12 computers and plenty of extra tables and chairs.

In other ways as well, Wood Dale School District 7, which includes Westview, tries to encourage students to take advantage of the varied educational resources in town, whether in their elementary school, at the nearby Wood Dale Junior High School or the Wood Dale Public Library.

How does Wood Dale do it? With money. Spent as it sees fit.

Local property taxes provide more than 90 percent of the district's revenue, which means neither the state nor the federal government can micro manage how it is spent. For the 1990-91 school year, District 7 spent $8,202 per pupil, slightly more than the suburban average.

By comparison, Chicago spent $5,678 per pupil, with Hammond right near the citywide median. But Hammond is burdened with great problems.

All but 2 percent of the children come from low-income families. The old school is scarred with gang graffiti and the overcrowding has forced some classes into six often vandalized mobile facilities. The mobile classrooms, Rivera said, isolate more than 140 students from the other children and restrict their access to the school's computers and 8,000-book library.

And because so much school revenue comes from state and federal programs and must—by either legal or administrative fiat—be used in highly specific ways, there is little left over for badly needed improvements.

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If he could, Rivera said, he would improve the school's lighting, build permanent classrooms to replace the mobiles, and buy a security system to prevent the sort of break-ins that have cost the school $20,000 in the past year. Instead, Hammond must wait its turn on a long districtwide repair list.

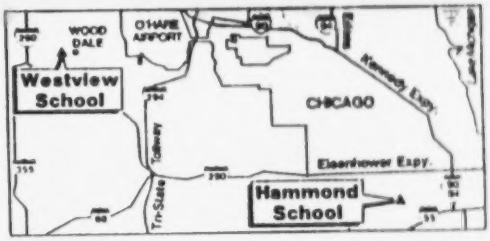
Most of the revenue from local property tax levies goes toward paying teacher salaries. Rivera said. That leaves only $30,000 to $40,000 in the school's textbook fund, and that could be spent on new math books alone.

Perhaps most frustrating for Rivera, he feels the world around him offers little support. School funding sends a message that society expects little from Chicago students. Rivera said, and too many of his teachers have heeded that message and demand little from Hammond students.

Outside the building, he said, city crews repeatedly fail to pick up the trash in the alley. Children go home to apartments that are crowded and noisy and have no quiet place to do their homework. And if they walk to the library after dark, they risk their lives.

If Rivera had the money, he would do something else: keep his school building open until 10 p.m. So his children can stay and learn

HOW SCHOOL DISTRICTS COMPARE



1992-93 SCHOOL YEAR	Chicago	Wood Dale
Students from low income homes	79.2%	10.6%
Students with limited English proficiency	12.6%	4.5%
Elementary students per teacher	20.9	18.4
Average teacher salary	$39,968	$37,245
Average administrator salary	$61,988	$72,813
Per pupil expenditure	$5,875	$5,202

■ Property tax rates: Chicago's tax rate is $4.49 per $100 of value, while Wood Dale's elementary/high school tax rate is $4.07 per $100 of value

SOURCES: Chicago Public Schools, Wood Dale Elementary District 7

Senator WELLSTONE. Thank you, Senator Simon.

And just speaking for Senator Simon, I have said to everybody today, Paul, that there will be plenty of follow-up. This hearing is not just symbolic. There are a number of us who are just dedicated to trying to make a difference here.

Senator SIMON. Absolutely. And we are going to be reauthorizing the Elementary and Secondary Education Act, and I can't say we are going to win this battle, but we are sure going to fight the battle and see if we can't do something to come up with a better and more rational and more equitable system of education for the young people in this country.

And again, Paul Wellstone in so many ways has been a refreshing breeze in the U.S. Senate, and one of the reasons is that when it comes to areas of equity, I don't even ask where Paul Wellstone is. I know where he is, and I am proud to serve with him here.

Thank you.

Senator WELLSTONE. Thank you.

Dr. Alexander.

Mr. Alexander. Thank you, Senator. You obviously understand the issues that we are dealing with in the court cases daily, and we can use Congress' help and the Senate's help. Thank you.

Senator, I have some recommendations as well, and they are similar to the ones I presented to the Hawkins committee year before last. At that time, I felt that it was very important that Congress do something to neutralize the effect of Rodriguez. Rodriguez was not simply an isolated decision that has nothing to do with ongoing activities now within and among the States. The U.S. Supreme Court's precedent in Rodriguez has been used in all of the States that have held against poor plaintiff children and poor school districts, citing Rodriguez' statement that money does not matter, or that you cannot prove that money make a difference in these cases. They cite also that the Equal Protection Clause of the Federal Constitution carries over and is followed by many State constitutions and that they do not have independent vitality to rise above the minimal standards of the Equal Protection Clause.

It was my feeling then, and I continue to believe this, that Congress can act without the Equal Protection Clause, under Section 5 of the Equal Protection Clause, for independent congressional action, to State and to maintain that it is a Federal policy, a Federal issue, that education is a right in this country. The United Nations declared it a right in 1948, and we as a country have not declared education as a right of individuals to the present time.

This is one of the issues we are struggling over in the State courts. So we believe that you, the Congress, should enunciate a policy issue that education is important, it is a right, it is an individual interest.

I also believe that a congressional plan, a Federal plan, should provide incentive to create these uniform and equitable systems. If you go back and put forth the tax effort that was put forth in 1980, there would be ample resources to give States fiscal incentive to move toward more equitable systems, as the Hawkins plan envisaged.

Second, the plan should be funded, I believe, to take into account the fiscal effort of the States and the capacity of the States, both

fiscal capacity and effort. Chapter I, Title 1, incidentally, does in fact equalize among the States slightly and within the States rather dramatically. So in considering reauthorization or new legislation, you may tie this into Title I, the Elementary and Secondary Education Act, and through that mechanism or a similar mechanism or amendment of that mechanism achieve what we are talking about here today.

Third, I would say that the plan should provide for substantial uniformity; it should call for substantial uniformity of educational opportunity. It would be incumbent upon the States in receiving their funds from the Congress that they show in the State plan that they are providing substantial educational opportunity. Those words have been used in the Kentucky case, the Tennessee case, and other court decisions where the plaintiffs have won. Substantial uniformity is a workable definition.

Fourth, to the effect that education is a right, Congress should enunciate a position that the Nation would maintain some reasonable level of educational effort, funding of education. One of our earlier members of this panel indicated that we were 13th in the world, or at least among OECD countries. We are lower than that among OECD countries in fiscal effort; that is, expenditures on elementary and secondary education as a percent of the gross domestic product. We can't expect to maintain global predominance in the next 30 years, in the next generations, or even our current position, if we are 16th among 22 countries in fiscal effort to support our investment in human capital at the elementary and secondary level.

Last, I would point out that a plan should initiate additional funding to deal with the problems of our inordinately high educational burdens due to racial, ethnic, cultural, linguistic, and economic diversity in this country. As you know, during the eighties, our country's spread as far as economic opportunity was concerned—the lower fifth of our population has much less money than it had in 1980. The inequities are greater in this country than in other industrialized countries of the world. Japan has the largest middle class of any of the industrialized countries; we have the smallest.

This legislation should address those educational needs that we have, those extraordinary needs that we have, and it should deal with the deprivation issue, centering the funds on the lower income.

Thank you, Senator.

[The prepared statement of Mr. Alexander follows:]

PREPARED STATEMENT OF KERN ALEXANDER

Introduction

The role of the federal government in the financing of education will always be a subject of much controversy. Many believe that the federal government has a special responsibility for education that emanates from a national interest in the general welfare that requires substantial federal financial commitment. Others maintain that the nature of the American federalism places little financial responsibility for education on the central government. Yet, others are of the opinion that the federal government should provide funding only as a stimulus for change and innovation or to deal with educational needs that are of particular national interest. The issue of federal aid is, further, complicated by strong lobbies representing other interests that historically have had difficulty in accepting the political philosophy of public schools. To this unstable state of affairs can be added the marketplace enthusiasts who believe that all good in society derives from competition and that it is not necessary for the federal government to fund elementary and secondary education in any appreciable magnitude, so long as the federal government creates schemes of organization and finance that enhance competition among schools, parents, and students. Any consideration of federal aid to elementary and secondary schools must recognize and fashion political accommodations for these varied interests.

Those who have advocated reduced governmental involvement, less taxation and smaller governmental expenditures have controlled the federal political agenda throughout the 1980s. During that period, the response of most politicians regardless of party was to exhibit a new sense of fiscal conservatism that influenced the nation's investment in education. Today, presumably, we are entering into a new era when the concept of education as a vital and elemental aspect of human capital development will reemerge. If this new era is to come to fruition the federal government must

assert a positive leadership and assume a responsible role in financing the public schools that will not only set an example for the states, but will serve as a stimulus as well.

Federal Aid Criteria

Twenty years ago, the National Educational Finance Project[1] recommended substantially greater involvement of the federal government in the financing of the elementary and secondary schools. As a part of this objective certain criteria for federal funding were set forth. These were:

1) The purpose of the program must be worthy and appropriate for the federal government.

2) The administrative arrangements must be conducive to sound federal-state-local relationships.

3) The combined effect of all federal programs should promote the development of adequate public school programs in all states.

4) The federal programs should equalize financial resources among states.

Each of these criteria remain applicable today. Regarding the first, the federal government should give first consideration to those educational needs that transcend state lines. Because educational deficiencies cannot be quarantined within state boundaries. The spillovers of poor quality education in one state threaten all states, the federal interest must therefore be broad and pervasive. Thus, it is within the realm of federal concern to make general purpose grants to states to supplement state and local funds and to provide incentives for states to expend the necessary tax effort to maintain an adequate system of education. Second, the federal-state-local partnership must be so conceived as to capture the special strengths of each level of government. Historically and legally the states occupy the central role in the formation and maintenance of public education. The legal relationship between federal and state government has been described in terms of a contract, with the states entering arrangements on a volitional basis. The federal government acts in its general welfare interest and the states respond by fiscal

cooperation and mutual interest to that concern. This is as it should be and should continue. The localities do not stand alone, but are of the states, and as such form subsidiary units whose purpose is to bring the prescribed educational initiatives as close to the people as possible. Historically, these roles have been found to be workable and should continue. Third, the combined effects of the federal programs should be viewed as to their unity of impact on state educational policy. Federal categorical grants that leave out of account consideration of educational needs in the national interest should be supplemented with other more far reaching and comprehensive programs.

The last criterion, the need to equalize financial resources for education, is a vital one. All federal programs regardless of their substantive purpose should be so designed as to equalize the fiscal capacity of the states. Federal programs should be also be fashioned with a cognizance and awareness of inequalities internal to the states. This concern for equality should be a broad one with due consideration for the need of pupils.

Importantly, it is this last criterion that has unique importance today as we view the role of the federal government. Inequalities of funding both among and within states stand as possibly the most insidious threat to the provision of equal educational opportunity in the United States.

Political Realities of General Federal Aid

Serious consideration of substantial federal subventions for the elementary and secondary schools have been attempted on numerous occasions and have failed because of a complexity of political issues that pervade education.

Throughout the years general federal aid for education has been discussed and on occasion seriously pursued by its various advocates. During the 1920s and 1930s the predominate position of both Democrats and Republicans was that education was not a federal function and except for certain special circumstances should be left to the states and localities. This viewpoint has been

unerringly adhered to by the Republican Party over the years with the notable reaffirmation during the 1980s. The Democratic Party, while officially opposed later, assumed a positive stance toward education. The Democratic Party did not mention federal aid to education in its platform of 1932, but indicated limited advocacy in the 1936 platform.[2] The Democrats finally reversed their position on the issue and in the platforms of 1944, 1948, and 1952 advocated federal aid to education with the proviso that it be without federal control. President Truman actively supported federal aid to public schools accompanied by higher education scholarships.[3] Truman had even included funds in his budgets in the late 1940s and early 1950s that went undistributed for lack of authorizing legislation.

During these years, at frequent intervals, major national education groups and organizations had proposed federal aid to education with variously stated caveats concerning federal control. Butts and Cremin point out that it was generally the view of these groups by the mid 1950s that the:

> "Prevailing control of education should be at local and state levels, but the federal government should aid the states to achieve a minimum level of quality of education and aid should be granted according to wealth, ability to tax, and need of the several states to help."[4]

A flurry of legislative proposals in the early 1950s circumscribed the issues and defined the boundaries of the political conflicts that had to be resolved before general federal aid could be achieved. The contentious issues can be summarized into four categories each having substantial political support and all combined forming a formidable obstacle to substantial federal subventions particularly in the form of general aid. The issues were:

1) fear of federal control;
2) fiscal conservatism;
3) religious opposition;
4) reluctance to provide funds to racially segregated schools.

Each of these issues came to light in the late 1940s and early 1950s as general education aid was widely debated. In 1952 three types of bills were proposed in Congress that highlighted these

issues. One was the Taft-Thomas Bill (Senate Bill 246) that proposed an expenditure of $300 million per year for a federal foundation program that would bring public school expenditures up to a minimum of $55 per pupil in all states. By the formula some states would have received $5 per pupil while others could have received up to $25 per pupil.[5] Two controversial limitations were written into the bill that helped kill it. One required that states maintaining segregated schools must allocate a just and equitable portion to black schools. The other provision allowed states general use of the funds for school transportation of parochial school children. This bill passed the Senate in both 1948 and 1949, but failed in the House.[6]

The second bill, the Barden bill, sponsored by Representative Graham A. Barden of North Carolina (House Bill 4643) proposed a similar foundation program concept, with funding levels comparable to the Taft-Thomas bill, but the Barden bill specifically provided that the funds could be used only for the support of public schools, not private and parochial schools. The clarity of this bill's provision for black schools was less certain.[7] This bill failed as well after much acrimony.

A third bill, called the Murray-McMahon bill (Senate Bill 947) and Fogarty bills (House Bill 915) included a provision that required states to provide funds to parochial schools for auxiliary services. Representatives for church organizations testified for this legislation and against the Taft-Thomas and Barden bills. A clear line of political demarcation developed that formed well-organized opposition to federal aid to education unless it provided considerable amounts of funding for nonpublic schools.[8] The controversy over aid to nonpublic schools was therefore instrumental in killing all three of the bills.

The Johnson administration in 1965 largely compromised the problem of aid to nonpublic schools by providing for dual enrollment and shared time arrangements allowing parochial school children to participate in Title I, ESEA, Title II library books

and materials, and Title III consortium arrangements. The provisions moderated the dispute to a sufficient degree that the large Democratic majority in the Congress could enact the Elementary and Secondary Education Act of 1965. Comparable conditions for compromise coupled with the budgetary wherewithal have not existed since the 1960s.

Today the path may, however, be clearer for larger federal subventions for several reasons. Fear of federal control does not appear to be as great today as in earlier years. In many aspects state governments have become stronger and apparently more confident of their roles in the federal system. Fiscal conservatism reached an extreme state in the early 1980s and will presumably take on greater moderation and be more limited in the near future. Too, there seems to be a continuing working solution to the problem of aid to nonpublic schools by virtue of the precedents of the ESEA agreements of the Johnson era. Last, even though the racial problem is still one that stridently haunts education the political dimensions of race have changed so that the forces involved tend to be more proactive towards increased federal aid for education. The political problems associated with race toady have become more economic , demographic, and geographic with problems of education funding to be most notably concerned with the flow of funds to core cities and poor rural areas and less with segregated schools, per se.

Trends in Federal Funding

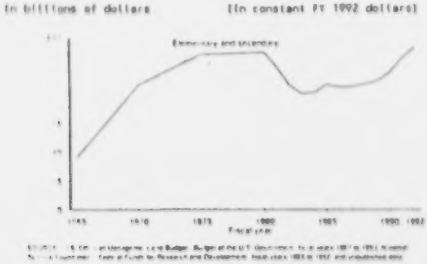
Political pressures to reduce governmental expenditures was most directly manifested at the federal level of government during the late 1970s and throughout the 1980s. As the federal government became more parsimonious toward education and other social programs, greater costs were shifted to the state and local levels.

The decade of the 1980s saw a decline in federal effort to support elementary and secondary education. From 1965 to the late 1970s federal funds for elementary and secondary education rose steadily and then in the 1980s fell dramatically once again to

crawl back upward in the early 1990s. Chart I shows the rise and fall in constant dollars since 1965 for on-budget federal funds. On-budget means federal funds derived from Congressional appropriation. In 1975 the federal government provided appropriated support of $10.6 billion for elementary and secondary schools, the amount rose to $16.0 billion in 1980, then fell to 14.5 billion in 1983, finally to rise to $21.9 billion in 1990 and an estimated $28.3 billion in 1992.

In constant dollars, however, as shown in Chart I the picture is much different. Adjusted for 1992 constant dollars, the 1975 appropriated amount was equivalent to $27.1 billion, 1980 to $27.4 billion, 1983 to $20.1 billion, 1990 to $23.7 billion and in 1992 the constant dollar amount was $28.3 billion. As the comparison of constant dollars indicates the severity of the decline in the mid-1980s was far greater than a comparison of current dollars reveals. In current dollars the dip from 1980 to 1983 was only about $1.5 billion, and the 1992 amount was $12.3 billion more than 1980.

Chart I: Federal on-budget funds for Elementary and Secondary education, by level: 1965 to 1992



In constant dollars, the fall in federal resources from 1980 to 1983 was $7.3 billion from $27.4 billion to 20.1 billion. By 1990, the federal funding of $23.7 billion still fell significantly below the 1980 level of $27.4 billion constant dollar figure. Only in 1992 had the funding of elementary and secondary education returned to its 1980 constant dollar level. The trend is encouraging to say the least.

The decline in federal support for elementary and secondary education during the decade of the 1980s may be accurately illustrated by comparing federal revenue receipts to personal income for the nation for that period. As shown in Table 1, federal revenue for elementary and secondary schools was $4.00 per $1,000 of personal income in 1979-80 and declining to $2.70 in 1986-87 and then rising to 3.17 in 1992-93. Notice that this table also shows that state effort remained relatively stable during the 1980s, but rose during the early 1990s. Local funding increased to offset the decline in federal effort during the 1980s and has increased even more during the early 1990s.

Table 1
Fiscal Effort Made to Fund Public Elementary and Secondary Schools, School Years 1979-80 to 1992-93
(Revenue Receipts per $1000 of Personal Income)

School Years	Federal Effort	State Effort	Local Effort	Total Effort
1979-80	4.00	21.26	18.05	43.31
1980-81	3.63	20.86	18.24	42.73
1981-82	3.30	21.06	18.52	42.88
1982-83	2.98	21.33	19.73	44.05
1983-84	2.82	20.54	19.13	42.49
1984-85	2.80	20.93	18.44	42.18
1985-86	2.77	21.34	18.76	42.88
1986-87	2.70	21.38	19.03	43.11
1987-88	2.76	21.49	18.74	42.99
1988-89	2.78	21.69	18.94	43.41
1989-90	2.78	21.34	19.68	43.80
1990-91	2.85	22.15	20.72	45.72
1991-92	3.08	21.86	21.37	46.31
1992-93	3.17	22.06	21.88	47.11

Source: National Education Association, Estimates of School Statistics. (Washington, DC: NEA, various years.
National Education Association, Rankings of the States. (Washington, DC: NEA, various years.
United States Department of Commerce, Bureau of Economic Analysis, Survey of Current Business. (Washington, DC: U.S. Government Printing Office, various years).

This table indicates that there is recent fiscal response from all three levels of government to recover from the downturn of fiscal effort in the mid-1980s. Of particular note is the fact that revenues for elementary and secondary education, from local sources, increased more than revenues from either of the other two levels of government.

The trend toward greater reliance on local taxation for support of elementary and secondary schools is shown in Chart 2. In 1980-81, local taxation provided 42.7 percent of school revenues and the federal and state governments contributed 8.5 percent and 48.8 percent, respectively. By 1992-93 state and federal contributions had declined by about 2 percent each and the local percentage had increased by 3.7 percent. This trend is not necessarily a positive one. Local revenues are primarily

CHART II

PERCENT OF REVENUE RECEIPTS FOR PUBLIC ELEMENTARY AND SECONDARY EDUCATION, BY SOURCE, SELECTED SCHOOL YEARS, 1980-81 TO 1992-93

SOURCE: NATIONAL EDUCATION ASSOCIATION, ESTIMATES OF SCHOOL STATISTICS NEA: VARIOUS YEARS.

responsible for the extensive revenue disparities found in most states and contribute materially to inequalities in educational opportunity. The school financing inequalities that are the subject of the school equity cases nationwide emanate from unequalized local taxation. When the federal government's funding levels decline and more fiscal pressure is relegated downward to local government then federal policy inadvertently contributes to inequality.

Per Pupil Capacity Comparisons Among States

A plan for federal funding of elementary and secondary schools must take into account the varying fiscal capacities of the states. How capacity is measured is an important policy issue.

The relative capacity of states may vary depending on whether the revenue bases are related to total state population or to the number of pupils in the public schools. Some argue that relative capacity is best measured by taking into account the entire population because the tax system must support services for all the people. Further, it is maintained that the income and wealth of the entire population constitute the total capacity of a state. On the other hand, it may be reasonably argued that for education purposes capacity should be measured in relation of the number of children to be educated. States have varying demographics and a state like Florida has far fewer children ages 5-17 compared to the total state population, than do other states. Too, some states have much higher percentages of nonpublic school pupils resulting in differing public school financial burdens. Thus, the denominator for calculating capacity may be either population or numbers of pupils depending on the accepted point of view.

Table 2 shows the fiscal capacity per average daily attendance of selected states, ranking high, middle and low. The same ranking of states are shown in for fiscal capacity per capita in Table 1. Notice that when the pupil count of average daily attendance is used for measuring state capacity, Connecticut's advantage over Mississippi is substantially expanded. Personal income per capita shows that Connecticut is 136 percent of the U.S. average and

Mississippi 69 percent, but when personal income per ADA is used as the denominator, Connecticut's advantage increases to 154 percent of the U.S. average and Mississippi's percentage is reduced to only 56 percent. The pattern is similar with the representative tax system per capita. Connecticut's relative wealth rises from 143 percent of the U.S. average per capita to 159 percent per ADA and Mississippi falls from 65 per capita to 56 percent per ADA. These comparisons, also, show striking differences for Utah which appears much poorer when using average daily attendance figures than population. With the per pupil measure, Utah falls below Mississippi on both personal income and the representative tax system making it, by far, the poorest state in the country.

Regardless of measure, however, there remains a substantial disparity in tax capacity among the states and any accurate assessment of provision of equality of educational opportunity among states must take this into account.

Insofar as financial support is related to educational opportunity, the wealthiest states have a decided advantage. The most able states can finance a reasonably adequate quality of education with a lower tax effort than can the least able. This means that if schools were to be financed entirely from state and local funds, either the people in the least capable states would have to make a much greater effort to support their schools or the children in these states would be relegated to schools that were inadequately financed.

Thus, an appropriate national interest would be the equalization of funds from federal sources among states. Federal allocation policy should be designed to offset the disadvantages of children in poor states by making every effort to prevent a child's education from being materially linked to the fiscal capacity of a state.

Table 2

Fiscal Capacity of Selected States
as Percent of U.S. Average
as Measured by Personal Income
and the Representative Tax System
by Average Daily Attendance

	Personal Income Per Pupil in ADA, 1990, as Percent of U.S. Average	Representative Tax System 1988 Per Pupil in ADA, 1990, as Percent of U.S. Average
High		
Connecticut	154%	159%
New Jersey	156	148
Massachusetts	143	154
New York	141	132
Maryland	131	119
Middle		
Ohio	98%	101%
Wisconsin	100	96
Nebraska	88	87
Vermont	91	103
Missouri	99	98
Low		
New Mexico	70%	77%
Arkansas	66	68
Utah	48	49
West Virginia	66	76
Mississippi	56	56
United States	100%	100%

Table 3

Interstate Differentials in Tax Capacity Per Capita
(States ranked by Per Capita Personal Income, 1990)

State	Capacity Measures	
	Personal Income Per Capita as Percent of U.S. Average, 1990	Representative Tax System Per Capita, 1988, as Percent of U.S. Average, 1988
High*		
Connecticut	136%	143%
New Jersey	133	124
Massachusetts	121	129
New York	118	109
Maryland	116	109
Middle		
Ohio	94	91
Wisconsin	94	90
Nebraska	94	90
Vermont	94	105
Missouri	94	90
Low		
New Mexico	76	83
Arkansas	76	74
Utah	75	78
West Virginia	74	78
Mississippi	69	65
United States	100	100

*Alaska ranks first by RTS method having 159 percent of the U.S. Average Capacity.

Sources: National Education Association, Rankings of the States, 1992, (Wash., D.C.: NEA, 1992), Table D-3, p. 29.: Advisory Commission on Intergovernmental Relations, State Fiscal Capacity and Effort, (Wash., D.C.: ACIR, August 1990), m-170, Table 501, p. 32.

Fiscal Effort Among the States

Any new federal funding plans should recognize the variations in fiscal effort among states. Some states have shown little enthusiasm for investment in elementary and secondary education and others have contributed well beyond expectation.

Tax effort may be determined at the state level for any or all governmental services for which revenue or expenditure data are available. The tax efforts of the various states measured can serve as a reasonably accurate indicator of policy choices and may provide information about how a state spreads its fiscal resources across governmental programs.

Tax effort to support a particular governmental function can be measured by determining the ratio of the revenues or expenditures devoted for a particular purpose to a measure of state fiscal capacity. As observed above, the most accurate and commonly used capacity measures are personal income and the ACIRs' Representative Tax System.

Table 4 shows the fiscal effort by selected rich, middle and poor states for all government revenues and for state and local public school revenues as a percentage of the U.S. average. This table reveals several interesting comparisons. First, it is readily apparent that a poor state may frequently put forth more tax effort for public schools, and for all governmental services than a more wealthy state. For example, the wealthy state of Massachusetts is below the U.S. average on all effort measures while the poor state of Utah exceeds the U.S. average on all comparisons. Second, some poor states such as Mississippi increase their own difficulties by putting forth low effort. Third, some states may have higher effort for all government and lower effort for public schools as does New York, while others may have considerably greater effort for public schools and lower effort for all government, as do New Jersey, Vermont, Arkansas, Utah and West Virginia. Fourth, some states evidence a split in effort based on whether the capacity measure is personal income or the representative tax system. For example, Massachusetts, shows higher effort with personal income than with the representative tax system. In this regard, for example, Massachusetts has a substantial store of unused tax capacity in general sales, selective sales, and property taxes. On the other hand, New York has little additional potential stored away showing greater effort with representative tax system and less with personal income.

Patterns in effort of states tend to change only very gradually, but exceptions do occur as evidenced by the sharp decline in tax effort experienced by California after Proposition 13 and Massachusetts following Proposition 2½. In California the tax effort plummeted from over 120 percent of the U.S. average in

1976 down to 94 percent in 1988. The effects of Proposition 2½ in Massachusetts were even more pronounced dropping tax effort in that state from over 140 percent of the U.S. average in 1979 to only 94 percent in 1988. Thus, dramatic shifts in governmental tax policy can affect tax effort and occasionally does so on a very large scale.

The implications for federal aid are quite clear. Any federal formulation should be designed to stimulate state tax effort to support elementary and secondary schools. States with low tax effort should not be rewarded for their languor toward educational investment.

Equalization of Federal Funds

Federal subventions should be designed to contribute to equality and to serve as redistributional mechanisms in advancing a specified national purpose.

Today, the flow of federal funds for all programs, including education, to the states has a net equalizing effect. Table 5 shows the per capita net flow of all federal funds, 1988-1990, for the top 10 states in per capita personal income and the 10 lowest. This table shows the federal expenditure for all purposes minus federal tax collections. If we simply take the unweighted average, we see that the per capita flow of all federal funds to the poorest states is substantial. Factors influencing this flow include the progressivity of the federal tax collections coupled with the equalization features of the federal allocation formulas. Of course, tax structure and distribution formulas do not account for all the differences. Categorical grants of various sorts for special purposes, such as national installations for research and military and other national interests make a substantial difference in the continuity of the pattern.

Table 4

Interstate Differentials in Tax Effort for
All Government and for Public Schools
(States grouped by Per Capita Personal Income, 1990)

State	Effort Measures			
	All Government		Public Schools High, Middle, and Low	
	State and Local Tax Revenues in 1989-90 per $1,000 of Personal Income in 1990 as Percent of Average	Tax Effort in 1988 From Representative Tax System as Percent of U.S. Average	State and Local Public School Revenues in 1989-90 per $1,000 of Personal Income in 1990 as Percent of U.S. Average	State and Local Public School Revenue in 1991-92 per Representative Tax system Capacity as Percent of U.S. Average
High*				
Connecticut	97%	90%	100%	94%
New Jersey	94	101	105	123
Massachusetts	96	94	86	75
New York	137	152	112	118
Maryland	97	108	93	96
Middle				
Ohio	95	97	102	99
Wisconsin	110	119	112	113
Nebraska	95	98	93	95
Vermont	106	100	133	121
Missouri	82	86	93	94
Low				
New Mexico	109	99	114	103
Arkansas	83	84	98	101
Utah	105	106	124	120
West Virginia	106	88	126	123
Mississippi	91	94	100	95
United States	100	100	100	100

Sources: National Education Association, Rankings of the States, 1992, (Wash., D.C.: NEA, 1992), Table E-5 for state and local revenues for all government and Table F-4 for state and local revenue for public schools.; Advisory Commission on Intergovernmental Relations, State Fiscal Capacity and Effort, (Wash., D.C.: ACIR, August 1990), m-170, Table 501, p. 32.

Table 5

Per Capita Net Flow of All Federal Funds, 1988-1990, Ranked According to 1990 Per Capita Personal Income

Income Rank	Ten Richest States	Net Flow	Income Rank	Ten Poorest States	Net Flow
1	Connecticut	(1,161)	41	North Dakota	1,533
2	New Jersey	(1,989)	42	South Carolina	816
3	Massachusetts	(39)	43	Alabama	1,100
4	New York	(831)	44	Kentucky	611
5	Maryland	1,002	45	Louisiana	525
6	Alaska	971	46	New Mexico	2,929
7	New Hampshire	(1,216)	47	Arkansas	754
8	California	(253)	48	Utah	1,131
9	Illinois	(1,154)	49	West Virginia	853
10	Hawaii	1,270	50	Mississippi	1,613
Unweighted Average		(340)			1,187

Source: ACIR, Significant Features of Fiscal Federalism, Revenues and Expenditures, Volume 2, (Washington, D.C.: U.S. Advisory Commission on Intergovernmental Relations, October 1991), M-176-II, Map 1, p. 9.

Elementary and Secondary School Equalization. With regard to federal funds for public schools alone, the data are less dramatically egalitarian, but nevertheless create a positive flow toward equality. In 1971 the National Educational Finance Project in analyzing the equalization aspects of federal funds to public schools found that all federal funds for public schools combined to produce an equalizing effect.[9]

Later, studying the equalizing effects of federal funds in 1972 Berke and others concluded that federal funds had only a mild equalizing effect among school districts within states. He found correlations between revenues of major federal programs and median family income in Metropolitan Areas as follows: California -.27, New York -.31, Texas -.67, Michigan -.17 and Massachusetts -.30. Among these states in only Texas did federal funds show a particularly strong equalizing correlation.[10] The pattern of moderate equalization was not, however, consistent. Some districts with low median family income actually received less federal funding per pupil than some more affluent districts. Too, Berke

found that when ESEA, Title I funds were removed that the remaining federal funds were either random or displayed a slight disequalizing tendency."

Several measures today suggest that current federal distributions have equalizing effects. We know that the poorer states receive a substantially greater percentage of their public school revenues from the federal government than do the richest states. Table 6 shows that in 1991-92 the estimated percentage of revenue that came from federal sources ranged from 16.9 percent in Mississippi, the poorest state, to 2.5 percent in New Hampshire, one of the richest states. As this table indicates, there is a definite pattern of a greater percentage of federal funds flowing to poorer states. If Utah and Alaska are excluded from their respective groups, all states in the poor group, in Table 6, receive higher percentages of funding from the federal government than the states in the richest group. From this evidence alone it may be concluded that even though the federal funding levels are generally quite low relative to state and local funding, the federal funds do appear to have an equalizing effect.

Table 6

Estimated Percent of Revenue for Public Elementary and Secondary Schools from the Federal Government, 1991-92

Income Rank	Ten Richest States	% Federal	Income Rank	Ten Poorest States	Net Flow
1	Connecticut	3.9	41	North Dakota	9.3
2	New Jersey	3.3	42	South Carolina	11.6
3	Massachusetts	5.8	43	Alabama	13.6
4	New York	5.1	44	Kentucky	9.4
5	Maryland	5.2	45	Louisiana	9.8
6	Alaska	12.6	46	New Mexico	11.2
7	New Hampshire	2.5	47	Arkansas	8.8
8	California	7.9	48	Utah	6.4
9	Illinois	7.5	49	West Virginia	8.0
10	Hawaii	7.5	50	Mississippi	16.9
Unweighted Average		6.1			10.5
U.S. Average		6.4			

Source: NEA, Rankings of the States, 1992, (Washington, D.C.: National Education Association, 1992), Table F-10, p. 47.

Another and more accurate view of the equalizing tendencies of federal funds is to compare the actual dollar amounts per pupil that flow to the various states. Table 7 shows the federal revenue for elementary and secondary education per pupil in average daily attendance. Using per capita personal income as the method to determine rich and poor criterion, we see that a direct match of states, shows that the poor states generally receive greater per pupil federal funding. For example, the poorest state, Mississippi, receives $648 per pupil and the richest state, Connecticut, $385. West Virginia is allocated more per pupil than New Jersey, and New Mexico is provided more than New York, Louisiana gets more than Massachusetts and so on. If Alaska is excluded, from the comparison, which it should be, then the unweighted average for the groups is $90 per pupil more for the poor states than the rich. When Alaska is excluded the rich group receives less than the U.S. average of $420 and the poor group $81 more.

Table 7

Federal Revenue for Elementary and Secondary Education
Per Pupil In Average Daily Attendance, 1992-93

Income Rank	Ten Richest States	* Federal	Income Rank	Ten Poorest States	Net Flow
1	Connecticut	$385	41	North Dakota	$508
2	New Jersey	161	42	South Carolina	481
3	Massachusetts	416	43	Alabama	514
4	New York	505	44	Kentucky	561
5	Maryland	387	45	Louisiana	492
6	Alaska	1,217	46	New Mexico	642
7	New Hampshire	189	47	Arkansas	427
8	California	450	48	Utah	242
9	Illinois	524	49	West Virginia	493
10	Hawaii	483	50	Mississippi	648
Unweighted Average		$494			$501
Without Alaska		$411			
U.S. Average		$420			

Source: Bureau of Economic Analysis, Survey of Current Business, August 1991, p. 30; National Education Association, 1992-93 Estimates of School Statistics, pages 31 and 36.
*Unweighted average means that we simply added the amounts and divided by ten.

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A simple correlation between federal public school revenues per pupil in ADA, 1992-93, and personal income per pupil in ADA shows a slightly negative correlation of -.1024, a small equalizing tendency. The federal funds, however, are shown to have stronger equalizing aspects if the test of equality is effective buying income per household, rather than personal income per pupil. The correlation between federal aid per pupil and effective buying income per household is -.04754, indicating that federal funds do have a relatively strong equalizing tendency. Thus, these simple tests do indicate that current federal funds have beneficial redistributional tendencies.

All of this, of course, assumes that these personal income measures are appropriate equalization criteria. This type of analysis has the very obvious limitation that it refers merely to fiscal equalization, dollar per scholar, horizontal equity, and does not take into account the varying educational need burdens among the states. Because a high percent of the federal funding is influenced by Chapter 1, Title I, ESEA counting of educationally deprived children, the actual dollar amounts among states can be expected to vary substantially from a simple correlation to determine horizontal equalization.

Inequality In School Financing

For reasons of both economics and morality the federal government should have an abiding interest in the equitable treatment of the nation's children. The economic justification for equality of educational opportunity, though often ignored, is well documented.[11]

Beyond economics, though, and even more importantly, greater equality of educational opportunity is justified on moral grounds and considerations of social justice. Social justice requires that governmental allocation of benefits be divided equally unless

departure from equality is justified on some rational, relevant, or compelling reason of need.[13] Departure from equality may be justified to help the most needy or least advantaged, but government must be circumspect in determining the relevant factors that justify such departure.[14] There is no doubt that social justice is offended when children living in school districts with great property wealth are given educational advantages over children attending school in property poor school districts. State legislatures have many times failed to adequately address the funding problems of public schools because they are unable to separate justifiable from irrelevant criteria.

The nature of the legislature as a constituent assembly itself often tends to militate against equitable allocation of a state's fiscal resources. Individual and factional interests may prevent the adequate provision of state and local tax resources for the poor and less politically influential. Because of the inability of legislatures to fully address the problem of unequal funding, state courts have, with increasing frequency, been asked introduce fairness into state school financing systems.

During the past several years the pursuit of fiscal equality for schools has intensified by way of court action. To date many decisions have been rendered and several are pending. The plaintiffs in these cases simply maintain that state constitutional provisions are offended when state legislatures give more funds per pupil to school districts that have greater property wealth, greater family income, and higher adult educational levels, while denying the same to less able school districts. The plaintiffs argue that the state cannot justify giving more to the less needy and less to the more needy. At very least the plaintiffs in these school finance cases call on the state to justify its creation of funding disparities and to give compelling or justifiable reasons for malapportionments.

Because state legislatures routinely allocate two to three times as much money to students in affluent school districts as to students in poor school districts, the federal government is within

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its national interest authority to intercede and help remediate the disparities.

Fundamentality of Education. Whether education is a fundamental right has become a much debated issue with no clear final determination. States defending legislative prerogative in the unequal allocation of state school funds usually maintain that education is not a fundamental right. Strength is given to this argument by the U.S. Supreme Court's decision in Rodriguez where it was held that education is not a fundamental right under the Equal Protection Clause of the Fourteenth Amendment. This precedent has caused plaintiffs to labor excessively to extricate themselves from overextension of Rodriguez to state constitutions. Supreme Courts Arkansas, Colorado, Georgia, Idaho, Michigan, New Jersey, New York, Ohio, Oregon and Pennsylvania have cited Rodriguez in holding that education is not a fundamental right.[15] Other courts in Alabama, Arizona, California, Connecticut, Kentucky, Missouri, Montana, North Dakota, West Virginia, Wisconsin and Wyoming have departed from this view and held that education is a fundamental right under their respective constitutions.[16] Other states, New Jersey, Montana, Arkansas and Tennessee have found no need to declare education fundamental for equal protection purposes, choosing instead to rely on the education provisions in their own state constitutions to invalidate inequalities in funding.[17]

Although some courts have by-passed the fundamentality issue, the concept is of substantial legal importance in justifying judicial intervention in school finance cases. If fundamentality is established, the legislature must show that its reasons for unequal distribution of resources are not irrational or irrelevant to educational criteria. A declaration by a court that education is a fundamental right under a state constitution effectively requires greater legislative consideration and accountability. Because funding disparities do exist among school districts in virtually all states the invocation of the principle usually foreordains the invalidation of widely disparate state funding

mechanism.[18] Without the legal criterion of fundamentality, fiscal equalization within states becomes highly problematical.

The Logic of School Finance Cases. Typically plaintiffs in the school finance cases have followed a path of logic that maintains that a system is unconstitutional if combined state and local revenues flow in greater amounts per pupil to school districts that have greater wealth, higher incomes, greater expenditures and more pervasive curricula. Plaintiffs do not argue that greater inputs in terms of money cause greater outputs, as measured in terms of test scores. Rather, the plaintiffs maintain that the school children from the wealthiest school districts have better educated parents, higher incomes, more enriched curricula, and high test scores, better health and longer life spans; and the state, in turn, gives them more money. The poor have less and get less. No cause and effect between inputs and outputs is claimed or presumed by plaintiffs.

Deviation from arithmetical equality in school finance programs favors the most advantaged not the least advantaged. This pattern is present in all states (except Hawaii). Facts presented to the courts in Kentucky, Massachusetts, Tennessee, and other states reveal disparities that are so weighty and of such magnitude to draw strong and favorable judicial opinions for plaintiffs. In Kentucky the plaintiffs showed that:

> "Students in property poor school districts receive inadequate and inferior educational opportunities as compared with those students in the more affluent districts."[19]

A cycle of disparity and educational disadvantage is formed by the state system of financing. Without such court intervention, these inequities, as a practical matter, could not be corrected by normal state political processes.

Among the states, too numerous to discuss here, the courts have ruled on the constitutionality of school finance programs.

Hickrod and others give the following count: (1) Plaintiffs won at state supreme court level, Arkansas, Connecticut, Kentucky, Massachusetts, Texas, Tennessee, and Wyoming; (2) Plaintiffs won at

state supreme court level, but further compliance litigation has been filed, California, Montana, New Jersey, Washington, West Virginia; (3) Plaintiffs won at lower court level, under remedy order and appeal, Alabama, Kansas, Minnesota, Missouri, and North Dakota; (4) Plaintiffs lost at state supreme court level, Arizona, Colorado, Georgia, Idaho, Louisiana, Maine, New York, Maryland, Michigan, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, and Wisconsin.[20]

Examples of egregious inequalities may be illustrated by the situations in Ohio and Pennsylvania. Neither of which have been held to be unconstitutional at this writing. In Ohio, in 1991, the richest school district had state and local revenues of $22,625 per pupil per year and the poorest, Huntington, only $3,114, the state average in Ohio was $4,249. The second richest district, Cuyahoga Heights, had revenues of $10,222 per pupil. The magnitude of these disparities may be better shown if one assumes a classroom of 25 pupils would generate $255,550 per year in Cuyahoga Heights and a similar classroom in Huntington Local District would have only $77,850 per year, a difference of $177,700 per year. Extending the per pupil disparity over the thirteen year period of a child, the total dollars available for a child's education in Cuyahoga Heights would be $132,886 to only $40,482 for a student in Huntington Local. Moreover, in Ohio the ten percent of the students from the richest school districts receive $953,427,533 per year and the ten percent of the students in the poorest school districts receive only $596,007,715 per year (See Appendix A). Ohio has about 1.7 million pupils, so the decile comparisons represent significant numbers of students. Paradoxically, the Ohio Supreme Court held in 1979 that the system of financing in Ohio was not unconstitutional and further refused to hold that education was a fundamental right.

Pennsylvania has disparities of similar magnitude as Ohio. In Pennsylvania the five percent of the students from the richest school districts have about $3,300 per pupil per year more for

their educations than do the five percent of the students in the poorest school districts. Two earlier court decisions in Pennsylvania have obscured the fundamentality issue to the extent that the legislature apparently feels little compulsion to correct the problem.

Other large states including Illinois, Indiana, Michigan and New York have fiscal inequalities of comparable magnitude and severity. These financial inequalities are obviously of national concern. A federal program that provides incentives to redress these problems should be a priority.

Federal Role in Educating the Underprivileged

The 1990s will hopefully find a reassertion of the federal interest in helping underprivileged privileged children in America. The initiatives that began in 1965 in the Elementary and Secondary Education should be given new life in the 1990s. The educational plight of children from poor families in benighted rural areas and squalid core cities are clarion indicators of the necessity of a major federal financial commitment for public schools. The expansion of income inequality in America since 1980 dramatizes the urgency of this dilemma. Secretary Reich has noted that:

> ". . . most poorer towns and regions in the United States have grown relatively poorer: most wealthier towns and regions, relatively wealthier. American cities and counties with the lowest per-person incomes in 1979 had dropped even further below the nation's average by the 1980s; cities and counties with the highest incomes headed in the opposite direction."[21]

As a result, the underprivileged are in relatively worse circumstances today than in 1980 and the corresponding educational burdens on the schools are even greater. Thus, the costs of dealing with at-risk children are of greater magnitude today and the need for major initiatives at the federal level to address the problem has become more pronounced.

In recognition of this problem, the U.S. House of Representatives, in 1990, prior to the retirement of Augustus Hawkins, produced a report that advocated not only increased equity in funding at the state level but a more affirmative federal response to the problems of at-risk children.[22]

At that time, Levin estimated that there were at least 13 million at-risk students and that the additional costs necessary to fund a meaningful educational program would cost an additional $2,000 per student per year, a total bill of about $26 billion.[23] The federal Chapter I program now devoted to at-risk children funds only about one-fifth of that amount. Assuming that the states and the federal government shared the necessary additional costs for the education of underprivileged children, the federal share would, of course, be substantially less than the $26 billion total that is needed but would be markedly more than is now appropriated. While the appropriate amount to be derived from federal resources is uncertain one could logically maintain that the federal role should be far greater. We do know that about one in four elementary and secondary students in the United States received publicly funded free or reduced price lunches in 1987-88. At public elementary schools, the participation rate was 3+ percent and at public secondary schools it was 18 percent. These numbers indicate a substantial educational need that should have immediate attention. Funds for this purpose can and should come largely from the federal level. Regardless of the amount, it is reasonable to expect a renewed federal interest in the resolution of the educational problems of underprivileged children.

Conclusion and Recommendations

Apparently, as this hearing indicates, the Congress has become increasingly concerned about the wide revenue disparities in state school funding. In 1990, the legislation proposed by Hawkins would have introduced corrective action to be followed by states. According to Hawkins, himself, at-risk children were doubly shortchanged because the state school finance formulas usually provided less funding to students with the greatest needs. Hawkins' bill entitled The Fair Chance Act was designed to motivate the states to take action toward greater equalization of funding among school districts. The purpose of the proposed legislation as described by Wise was to encourage states "to do the right thing."[24] Wise said that "The Fair Chance Act would create

additional incentives for states to do "what they morally, legally and prudentially should -- provide equal educational opportunity."[25]

In this light the former Governor of Arkansas, Bill Clinton, said that a greater federal role in education should be calculated to "coax and embarrass states and schools into meeting higher standards of educational equity and attainments."[26] Commenting on proposed Hawkins legislation, Christopher P. Lu of Harvard observed that "A more active federal role can spur school finance reform in the 1990s, but federal action will be effective only with greater federal spending for education."[27] It is my view that the Hawkins bill was worthy and appropriate federal legislation well designed to provide greater equalization of state funding. I am confident that the Senate will consider legislation of a similar kind and expand on the concept.

Recommendations. My own recommendations for a new federal elementary and secondary funding initiative encompasses the four criteria stated earlier in this paper. Any federal plan should be scrutinized as to its adherence to each. Further, the federal government should focus on three particular aspects of current importance. The fundamentality of education as a basic right, the need to fiscally equalize among and within states and the continuing and pervasive problems of educational needs of the core cities and poor rural areas.

A federal initiative in elementary and secondary education should recognize and take into account several factors.

First. A federal plan should provide incentives for states to create and fund more uniform and equitable systems of education. Attention should be explicitly given to the problems of fiscal disparities among school districts and to the effects of unequal education on the lower economic and working classes of Americans. Measures should be taken to accelerate efforts taken by state courts and legislatures in redressing these problems of disparate and inadequate funding.

Second. The plan should be funded by the federal government at a level sufficient to maintain a reasonably strong level of federal fiscal effort and to provide incentive and impetus for states to more adequately and equitably fund their elementary and secondary schools.

Third. The plan should moderate the negative effects of the U.S. Supreme Court's decision in Rodriguez by declaring that Congress recognizes the centrality of elementary and secondary education to the maintenance of a republican form of government and to the economic and social well-being of the nation. Moreover, the legislation should provide that each child is entitled to "substantially uniform" financial resources for education regardless of the fiscal capacity of the state or local school district.

Fourth. The plan should require that states, in the exercise of their discretion in accepting the specified federal funding, declare that education is a fundamental right for purposes of educational funding. By virtue of this provision state legislatures would acknowledge and agree that departures from equal funding among school districts must be supported by relevant educational rationale and criteria.

Fifth. The plan should initiate federal funding to assist states that bear inordinately high educational burdens due to racial, ethnic, cultural, linguistic, and economic diversity of the school age population. The "coming apart of America" is a daunting problem facing the nation and the strengthening of state school systems to meet the emerging educational needs related thereto should be a top priority of federal programs. The magnitude of this dilemma calls for substantial federal involvement from both a fiscal and a policy perspective. A major funding scheme should be devised that will take into account the variety and incidence of such educational burdens.

1. National Education Finance Project, Alternative Programs for Financing Education, (Gainesville, Florida: NEFP, 1971), pp. 198-202.

2. R. Freeman Butts and Lawrence A. Cremin, A History of Education in American Culture, (New York: Henry Holt and Company, 1953), p. 534.

3. Ibid., p. 535.

4. Ibid.

5. Ibid.

6. Ibid., p. 536.

7. Ibid.

8. Ibid., p. 537

9. Roe L. Johns, Kern Alexander and Dewey H. Stollar, eds., Status and Impact of Educational Finance Programs (Gainesville, FL: National Educational Finance Project, 1971), p. 261.

10. Joel S. Berke, Stephen K. Bailey, Alan K. Campbell & Seymour Sacks "Federal Aid to Public Education: Who Benefits," Issues in School Finance, Select Committee on Equal Educational Opportunity, United States Senate, September, 1972, p. 39.

11. Ibid, p. 41.

12. World Development Report, 1991, op cit., pp. 43, 55, and 57.

13. John Rawls, A Theory of Justice (Cambridge, Mass.: Harvard University Press, 1971), pp. 302-303.

14. Kern Alexander, "Equity, Equality, and The Common Good in Educational Financing," in Spheres of Justice in Education, eds. Deborah A. Verstegen and James G. Ward, (New York: Harper Business, 1991), pp. 269-294.

15. Kern Alexander and M. David-Alexander, American Public School Law, (St. Paul: West Publishing Company, in press).

16. Alan Hickrod et al., "The Effect of Constitutional Litigation on Educational Finance: A Preliminary Analysis," (Normal, Ill.: Center for the Study of Educational Finance, Illinois State University, 1992).

17. Ibid.

18. Taking an unusual tact, the Supreme Court of Arizona found that education was a fundamental right but did not require the legislature to bear the burden of showing a compelling reason for its unequal apportionment of school funds. Consequently, the formula was upheld as constitutional. Shofstall v. Hollins, 110 Ariz. 88, 515 P.2d 590 (1973).

19. Rose et al. v. Council for Better Education, Inc., op cit.

20. Hickrod, op cit.

21. Robert B. Reich, The Work of Nations (New York: Alfred A. Knopf, 1991), p. 273.

22. William Taylor and Dianne Piche, A Report on Shortchanging Children: The Impact of Fiscal Inequity on the Education of Students at Risk, Prepared for the Committee on Education and Labor, U.S. House of Representatives, 101st Congress (Washington, D.C.: U.S. Government Printing Office, 1990).

23. See Henry Levin, "Economics of Investing in the Educationally Disadvantaged," 79 American Economic Review, pp. 52-56 (May 1989); "Financing the Education of At-Risk Students, 11 Educational Evaluation and Policy Analysis," No. 1, at pp. 47-60 (Spring, 1990).

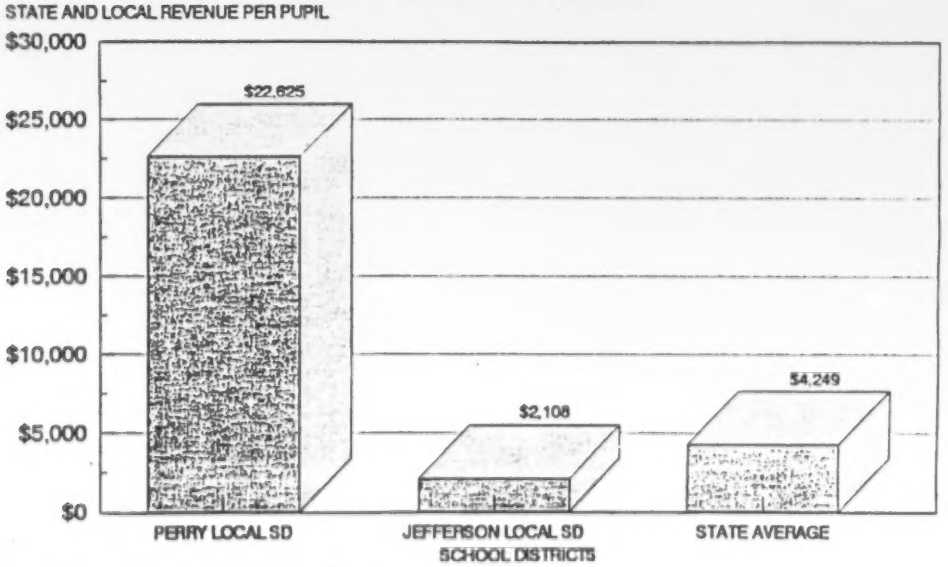
24. Arthur Wise, Testimony, H.R. 3850, 101st Congress, 2d Sess. (1990), The Fair Chance Act, Before the Subcommittee on Elementary, Secondary and Vocational Education of the House Committee on Education and Labor, 101st Congress, 2d Session, 1990, p. 61.

25. Ibid.

26. Governors and Experts are Divided on Setting Nation's Education Goals (New York Times, Dec. 6, 1989, at B14, col. 4).

27. Christopher P. Lu, "Liberator or Captor: Defining The Role of the Federal Government in School Finance Reform," Harvard Journal on Legislation, Vol. 28, No. 2, Summer 1991, p. 564.

STATE AND LOCAL REVENUE PER PUPIL, AT THE EXTREMES, ENDS OF THE CONTINUUM, STATE OF OHIO, 1990-91



SOURCE: OHIO DEPARTMENT OF EDUCATION.

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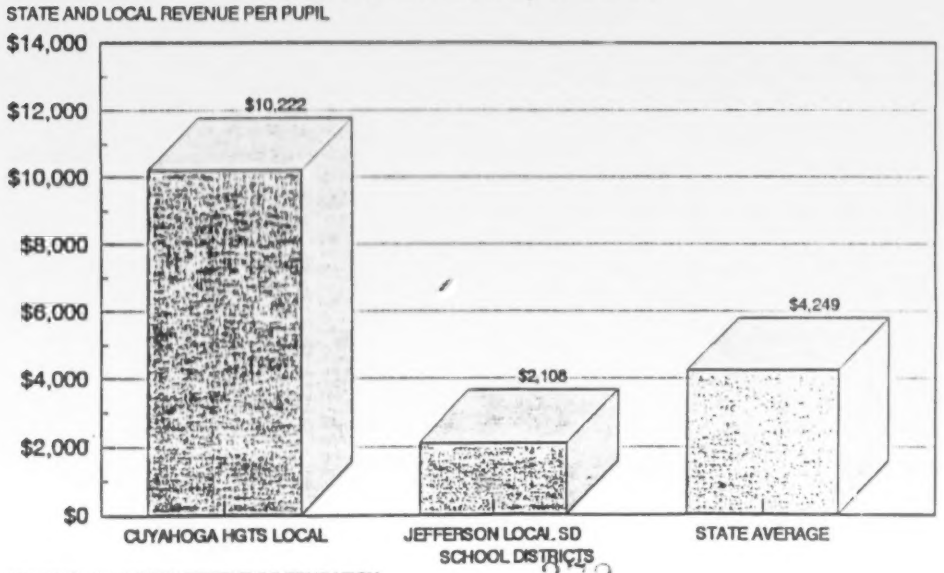
STATE AND LOCAL REVENUE PER PUPIL, AT THE EXTREMES, ENDS OF THE CONTINUUM, STATE OF OHIO, 1990-91



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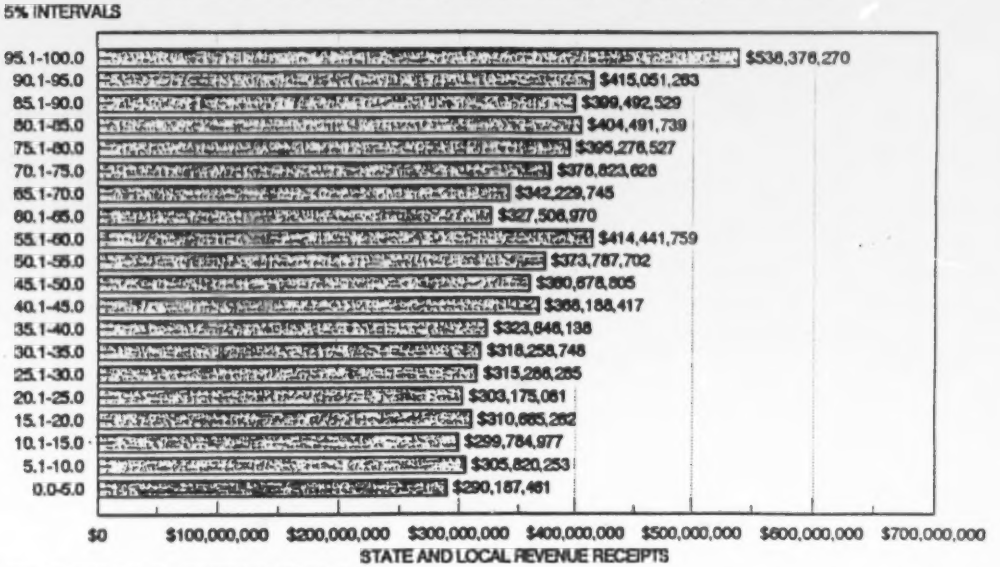
PROFILE OF STATE AND LOCAL REVENUE RECEIPTS WEALTHIEST TO POOREST SCHOOL DISTRICTS AT FIVE PERCENT INTERVALS, STATE OF OHIO, 1990-91



SOURCE: OHIO DEPARTMENT OF EDUCATION.

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Senator WELLSTONE. Thank you, Dr. Alexander.

Dr. Nathan.

Mr. NATHAN. Mr. Chairman, ladies and gentlemen, it is an honor to be here. As you know, I have spent quarter of a century as a public school teacher and administrator, now a parent of three children who attend the St. Paul public schools.

I also spent some time in this fascinating city. Ten years ago last month, I published a book which was essentially a temper tantrum masquerading as a book, called, Free to Teach: Achieving Equity and Excellence in Schools. When I was a graduate student, Senator, I read some of your work, and it inspired me. As you have mentioned, Senator, we have known each other for a number of years.

I have developed no theories after a quarter of a century. Someone told me about 10 years ago, after lots of research on children, that she had developed three really strong theories about children; she had completed an advanced degree, and she had three really strong theories about child development. She and her husband subsequently had three children, and we had lunch recently, and she told me that now, with three children, she has no theories of child development.

I am not going to talk a lot about theories today. I am going to talk about some of the things happening around the country, and more specifically, what Congress might do.

You have had overwhelming testimony about the inequities. It is no surprise. It continues, and in many cases, it expands.

I have spent a good deal of time, as you know, Senator, in schools all over the United States, working with and learning from people. I was stunned as I walked into the Senate today by the similarities and differences between the Senate and most schools that I visit, particularly schools serving low-income youngsters. The similarity is that there is a system to determine whether you have a weapon. And the difference is that it is gorgeous in here, and it is awful in there. And from the moment a child or an adult approaches most buildings, or certainly many buildings, serving low-income children, they get a message. And it seems to me that if the message that Congress wants people to get from the kinds of buildings that we find the money to put up in our Nation's Capital, if that is a message that is important, then the kind of environment in which children come to learn and to grow also is critical.

I have a few suggestions to make. I am not going to cite research. I could have put it into the testimony, but you have many people to do that. I want to speak briefly about two matters. One is the issue of fiscal equity, and one is the matter is the matter of outcome equity.

When I was a teacher a few years ago, I heard this great debate over does money make a difference. This is the most ridiculous debate I have ever heard. I have got to tell you, it is absurd. Any teacher, any administrator knows that if you've got $2.75 per pupil to spend on supplies, you can do some things, and if you've got $20, you can do a lot more. Any administrator, any teacher knows that if you've got $50 or $100 or $500 to spend on field trips—and some of the schools in which I have worked have that, $500—you can

take a couple of field trips, and if you've got $5,000 or $15,000 or $25,000, you can do a lot more. This is absurd.

One of the things that fascinated me when I spent 2 years in this town with the National Governors Association was the way people play games with research and numbers. I mean, we can go on and have all kinds of hearings about does money make a difference or not, but the most affluent and powerful people send their children to schools in this country that spend far more than the schools that serve the low-income kids. Case closed.

Senator WELLSTONE. For the record, the case is closed.

Mr. NATHAN. Well, I try to learn from the memory of Hubert Humphrey and the tradition that you are carrying on so well here.

I might also say that there have been lots of comments about the difficulty of the task, and I would simply refer people who are interested in seeing improbable things happen to look at the record of your election in Minnesota. It was improbable. It was remarkable. I was proud to play a tiny role. But improbable things can and do happen. I spent some time in the South in the sixties, and improbable things can and do happen when people of good will decide it is time and form alliances.

OK, enough of the rhetoric. Three or four specific suggestions. We have talked about some particular things that might be done to target money. Yes, money makes a difference. What are the ways that it is going to make the most difference? I would have three or four suggestions in the testimony, and I'll briefly mention several here.

First, the building issue. There is lots of research that buildings in this country in many cases are just hopelessly out-of-date. You and I have talked about the whole concept of shared facilities, and 20 and 25 years ago, Congress made enormous amounts of money available on a matching basis to communities, rural and urban, in low-income areas to create beautiful buildings that were shared facilities where social service agencies and schools cooperated.

I mention in the testimony that St. Paul created an inner city junior high school which is a community center, housing a Head Start center, a medical clinic, a family counseling center, a gym open to the community, a senior citizen program and small business promotion office—right there in the same building. And there was cross-fertilization, obviously.

In Proctor, MN, in a low-income rural area in northeastern Minnesota, the Blanden Foundation, our project, with some Federal funds has created a community center where the high school students as part of their class work took over a building that was vacant and dreary and turned it into a beautiful community. The space was shared by Head Start, by a senior citizens' center. The high school students did this as a part of their class work with a volunteer local architect. The youngsters as part of the work created space within the building not only for Head Start, but also for senior citizens, and now they are creating a television production studio.

Examples of this kind of thing can go on and on. As I have mentioned to you, the youngsters are also using this space because of its excellent facilities as the home for their "Incredible Edibles" entrepreneurial class. This is a home economics class that actually

sells things out in the community and has more business than they know what to do with.

The point here is that we have to rethink school buildings, that the Federal Government has a role, that what happens within the school is extremely important, but the message that young people get when they walk into the buildings is the first and a very powerful message. I have noted in the testimony that we don't necessarily need to start from ground zero in school buildings, that in rural and urban and suburban areas there are excellent examples, including Minnesota, but other places, of using existing buildings and transforming them as we do in St. Paul with a downtown bank that has provided space, as several downtown buildings are doing in Minneapolis, providing space for public schools. And this is not just an urban phenomenon, but there is shared space happening in Wheaton, MN, where Head Start and Soil and Water Conservation share space with schools.

So I think the first issue for you to think about is targeting and pushing very hard on States to do a great deal more with their school buildings.

The second incentive is the use of computers and other emerging technology. Some years ago, the highest-ranking Federal official talked about the most amazing new technology which he felt was going to have an enormous impact on education; it was going to, as far as he was concerned, transform American education, he said. From reformers and those who need reforming, questions are coming in, and this machine has the capacity to transform American education. This was William John Cooper in 1932, speaking about the radio.

Our children attend the St. Paul public schools. Elizabeth and David are 14. They attended a junior high school last year where the computers were 8 years old. This is the computer I use. I walk into suburban schools in Minnesota and other places, and this computer and comparable computers, color computers, are available, and they are available in much greater numbers.

We shouldn't just be buying machines; we ought to be making sure that we invest in training. But these machines have transformed business, they have transformed Government, and they can transform education, but only if we invest, only if we provide opportunities for youngsters. I think we have learned, having invested millions of dollars just in buying machines, that it is not nearly enough to buy the machines. We have to put a lot of money into training. And the research is very clear that affluent school districts are using computers and other technology in much more sophisticated ways than are inner city schools, probably generally mostly because of the training.

You have heard comments today about the question of providing assistance to attorneys who are filing these cases. I make a number of comments in my testimony about that. It is interesting that from two different directions, both of us said the Federal Government ought to file a friend of the court. It seems to me that that is a very, very powerful message. It doesn't take additional dollars. There are lots of ways to spend additional dollars. It seems to me it is time for the Federal Government and Congress and the Presi-

dent to stand up and say what they really mean if they really do believe in equal opportunity.

You and I have had a number of discussions about magnet schools. I believe that choice makes some sense in certain circumstances. I think that there is no one best kind of school for all students. We have found in Minnesota that literally thousands of youngsters who had dropped out of school have come back to school because of our second chance choice laws, and I give some examples of that in my testimony. We have also found dramatic increases in aspiration levels. At one point, among some of the students who participated in this using the public schools, only 19 percent of them planned to graduate and go on to some form of post-secondary education. After transferring to a new school, that number doubled in 39 percent.

I don't think that choice is just stone soup. I think there is no one best kind of school for all kids and that we need to have different kinds of public schools. I do not buy, by and large, the competition argument. I think if you look at the quality of produce available in an inner city grocery store compared to the quality of produce available in a grocery store in the suburbs, you will find that competition is not helping the low-income people to get high-quality vegetables. So I have real questions about the competition argument as it relates to school choice. But I have seen with my own children and with my own teaching that children who fail in one kind of school can do very much better in another.

But the Congress over the last decade in funding magnet schools has, as unfortunately in many cases, promoted inequities through its magnet school funding by allowing school districts to establish super-schools that spend thousands of dollars more per pupil than schools 10 to 15-minute away, and allowing those schools to pick and choose among the students.

As I have suggested to you in the past, I think it is time for us to stop allowing enforced inequity, expanded inequity. Dr. Alexander talked about the State promoting inequity. I think the way the Federal magnet school legislation presently operates in many large cities—as I have noted in my testimony, there are schools that are so-called public schools that are allowed to pick and choose among kids—I don't think that is an appropriate role for the Federal Government, so I would suggest modifying this.

I make a number of other comments, just to conclude, about some research that was done by my colleague Elaine Salinas, whom I know you had hoped to have here, and a brief comment that she made and asked that I share with you is attached to this testimony. She points out the issue of educational equity must be considered in the broadest context. That means moving beyond the current discussions of equal resources to a discussion of equal outcomes for different groups of youngsters. She and her colleagues in Minneapolis, a number of people representing communities of color, have recently prepared a superb report pointing out that Minneapolis and St. Paul schools spend more than 75 to 80 percent of the schools in Minnesota, and the results for youngsters of communities of color is not very impressive. One-quarter to one-half of the children are dropping out, and their test scores are way below.

It is not just about money. It is partially about money, but it has got to be some other things.

Three last points. You and I have discussed the issue of parent involvement. When teachers in a variety of national surveys are asked what is the number one thing that can be done to increase student achievement, they say it is to increase parent involvement. This is an issue in this report, and yet our colleagues, several graduate students and I, in the Twin Cities found that virtually none of the colleges of education offer courses in parent involvement, despite the fact that Joyce Epstein at Johns Hopkins says the best predictor of parent involvement is not the income level or the race or the marital status or the education level of the parent; the best predictor of parent involvement is what the school does to promote it.

By and large, prospective teachers and administrators are not learning what kinds of specific things they can do. James Comer of Yale University is highly honored in this country; he has won lots of awards. But he is mostly ignored in colleges of education. This, it seems to me, has got to stop, and the Congress could take steps in calling into question some things happening in colleges of education and could take a variety of steps, some of which I have outlined in here, to promote parent involvement.

I commend your efforts in youth services. One of the things that you have done that is thrilling to people is to hold hearings with youngsters. And I can tell you, having spoken with some of the youngsters who have had the opportunity to testify, that that spreads thousands of thousands of ways. Youngsters never forget the testimony in the hearings that you have conducted in the State of Minnesota. I want to encourage you and your colleagues, as a way to get the word out about this issue, to do more of that.

And finally, I have talked about the system of incentives in Minnesota and in other States. Three of the last 12 Minnesota teachers of the year have been laid off because of low seniority. We really have to rethink some of the things within the system. Part of it is money; part of it I think is central reform. And as you know, Senator, we are experimenting with charter public schools, and I think it is far too early to say this is unquestionably a success, but there are some intriguing things happening.

Thanks again for the opportunity to be here.

[The prepared statement of Mr. Nathan follows:]

PREPARED STATEMENT OF JOE NATHAN

Thank you for the opportunity to be with you today. You in the Senate can play a vital role in increasing not only equity in educational opportunity, but equity in educational results. Today I'll speak briefly about two kinds of equity: financial resources and student outcomes.

The present system of funding K-12 education in most American states is unjust, unjustifiable and unwise. In most states, youngsters from the inner city and rural families with the lowest income attend public schools which spend substantially less than the public schools serving children of the most affluent families. In many states, for every $1.00 spent on the education of a low income child, $2-4 are spent on the education of the affluent.

No scholar, even the strongest supporter of the status quo, argues that this is just.

Does money make a difference? Of course. As a former public school teacher and administrator, I know what it means to put together a budget. If I have $2.75 per student to spend on supplies, I'll buy a little. If I have $20.75 per student to spend,

I can do more. If I have a $500. yearly field trip budget, our school can take one or two trips. If I have $5,000 or $1,000, we can get more youngsters out, much more often.

As a teacher, administrator and then policy analyst in Washington, I'm fascinated by how people play games with numbers; how research is reviewed, related and reported.

The fact is that money makes a difference. Of course it isn't the only important thing to discuss.

But if we are to expand opportunity and improve education, it's one of the things which must be discussed. But education is fundamentally a state and local, rather than national responsibility. What can the Senate do about enormous financial inequities within states, and across state lines?

First, provide incentive grants to states making progress toward equity. The Federal Government sheet encourage state legislatures to "do the right thing." Sometimes legislatures need the stick of a court which threatens to close down schools unless changes are made, as happened in Kentucky. Sometimes a Legislature will take cheat to share property tax wealth after a law suit is filed and decided at a lower court level, as happened in Minnesota. And sometimes people respond to the "carrot" of incentives. For example:

Congress could provide matching funds to help states and communities in low income areas replace old, worn out school buildings. In the late 1960's and early 1970's, federal funds encouraged large cities and rural areas to establish shared facilities, involving cooperation among cities, schools and social service agencies. This led to better services and more efficient use of tax payer dollars.

A few examples: St. Paul created a junior high school/community service center with Head Start, medical clinic, family counseling center, gym open to the community, senior citizens program and small business promotion office.

Proctor, Minnesota, with assistance from the Blandin Foundation, and some federal funds, has created the Proctor Area Community Center. Taking over a large, empty building, high school carpentry students and a volunteer architect redesigned and then rebuilt a dreary, empty former furniture store located 2 blocks from the school. The Head Start program, which was looking for more room, took 1/3 of the building. A senior citizens group took another third. And students are using the remaining portion as a place to watch TV and movies with their friends. But it doesn't stop there. One of the home economics classes uses the Community Center for its "Incredible Edibles" class-a catering service which has a tough time staying up with all its customers. After completing the remodeling of the building, carpentry students were asked to help out the city. They did, and as a way to say "thanks," the city has donated thousands of dollars of building materials which students are using to construct a television production studio. Last year a history class interviewed senior citizens at the Center and produced. an oral history magazine. This year they'll continue that effort, plus use the TV studio to interview seniors. The tapes will be shown on local TV.

Many of the youngsters most active in the Proctor project had not done well in school. Amy, a young woman from a troubled family who has dropped out, told me that "working with the Head Start kids, and helping fix up the building showed me that school could make sense. My grades have improved, I'm feeling more in charge of my life.

Better school buildings don't necessarily mean starting from ground zero. Sometimes existing buildings can be transformed. For example, a downtown St. Paul bank provides space for a public school kindergarten. A St. Paul community center provides space for a charter school serving youngsters who've failed in traditional high schools. Downtown Minneapolis businesses provide space for several elementary and secondary schools. An award winning St. Paul program using the latest technology to teach Hmong, Cambodian and Vietnamese adults to read English shares space in a shopping mall.

The possibilities are endless. Federal funds, targeted to low income areas, could encourage greater cooperation and provide the kind of beautiful, well-equipped buildings which make youngsters think someone cares about them.

A second targeted incentive could involve purchase of computers and other emerging technology, accompanied by staff development. St. Paul and Minneapolis benefited from state funds some years ago allowing the districts to purchase computers and provide training. But the computers at Elizabeth and David's St. Paul Junior High school are Apple II's: 8 year old machines. I go to suburban districts and see room fulls of color McIntoshes. Inner city areas, with so many issues crowding in, have enormous demands.

Research by Hank Becker at Johns Hopkins shows that affluent districts are using their computers in much more sophisticated ways because they've been able

to invest in more staff training. Technology without training is foolish and shortsighted.

Why not offer federal financial incentives to states willing to target dollars for low income communities in areas such as shared facility buildings and technology, accompanied by training.

3. Stop promoting inequity through inappropriate magnet school programs. Over the last decade Congress tried to encourage racial integration through development of magnet schools. Federal funds allowed thousands of educators, including me, to create distinctive public schools. Our St. Paul option, establish in 1971, serves about 500 students, ages 5-18. Since 1973, students have graduated from this school after demonstrating skills and knowledge via portfolios and other assessments. Using what is now called school site management, we traded in an assistant principal for a van, allowing us to travel throughout the country. The school has been recognized by the U.S. Department of Education as an "outstanding innovation worthy of national replication." But this school has no admissions test.

Many magnet schools do. Recently I surveyed 30 large cities, including Atlanta, Boston, Chicago, Dallas, Detroit, Kansas City, Los Angeles, Memphis, New York, Pittsburgh, St. Louis, San Diego and San Francisco. Virtually every one of these districts has received federal magnet school money. More than 80% of these cities had magnet schools which discriminate against students on the basis of their academic skills. They had admissions tests or required a certain grade point average to enter. They were allowed to pick and choose among students.

Research by Don Moore in several large cities shows the impact of these admissions tests. The most exclusive "public" magnet schools have a significantly higher percentage of white, affluent students. The "less" exclusive public schools have a higher percentage of African-American, Hispanic/Latino and Native American students, and students from low income families. Who is benefiting from these exclusive schools? Who is suffering?

No wonder some people question school choice. As it's worked out in many urban district, "choice" means a few "super schools" with the most talented students, and neighborhood schools which educate the rest. In many large cities, magnet schools also spend more per pupil. Is this equitable? Of course not.

I urge you to prohibit use of federal funds to establish magnet schools which will have an academic admissions test. Don't add to the inequities, to the burden schools face.

But some magnet and choice programs make sense. In Minnesota, thousands of students who had dropped out of school returned under the states "Second Change" choice laws. In rural1 suburban and urban areas, young people who failed in traditional schools are thriving in more flexible, progressive programs.

It's young people like Sam, the youngest of his family to attend a rural school. His older brothers and sisters drank, his father had left the home, his mother drank. The first day Sam entered the local high school, several teachers recognized his last name and family. They let him know their expectations.

Sam met those expectations. He was disruptive. He often drank. Finally he was kicked out of school.

Fortunately, some friends told him about the "2nd Chance" law. He transferred to another public school where they didn't know or care about his family's troubles. He graduated and is doing extremely well.

Or there's Susan, the oldest of a large farm family which had major economic problems, and feared losing the farm. Rachel had lots of responsibilities and grew tired of the constant battles about money. She went looking for love elsewhere and became pregnant. Several teachers called her a slut. She was kicked off the cheerleading squad and removed from the Honor Society. She thought about taking her own life, and dropped out.

Fortunately, a doctor told her about the 2nd Chance law. She used it to enroll in a new school, graduated and is now employed and happy with her life.

Minnesota has thousands of examples like this. There has been a dramatic increase in aspirations among "second chance" students. Before transferring to a new public school, only 19% of these students said they planned to graduate and go on to some form of post-secondary education. After attending a new public school, that number increased from 19% to 39%. Among youngsters attending private non-sectarian schools such as the Minneapolis Urban League's Street Academy under "2nd Chance," the percentages increased from 6% to 41%.

As this program shows, sometimes the opportunity to enroll in a new school has a dramatic positive impact on a youngster.

Similar results have been obtained in several Massachusetts cities which used controlled public school choice. They did not allow schools to have admissions tests. Former Cambridge, Mass. Superintendent Bob Peterkin pointed out that 6 years

after instituting a "universal magnet" program, there was no difference between test scores of white and African American students. He believes that the school choice program, recognizing that there is no one best kind of school, is an important part of the reason for that progress . . . not the only reason, but a part.

Federal magnet school money can make a difference. But it should be targeted, and restricted so that it does not create broader inequities.

Third, support those who are challenging inequitable state education funding procedures. In most cases, equity advocates have sued their state government. The state has much greater financial and legal resources. Couldn't the Federal Government, through its U.S. Departments of Justice and Education, support the side promoting equity? The Department of Justice could file "friend of the court" briefs challenging property tax based education funding systems. The Justice Department could create data bases of relevant research and convene attorneys working on this issue to share strategies. The Department of Education could report different methods of education funding which are more equitable.

The Department of Education could also convene attorneys involved in legal challenges to discuss "what works" in education. Several attorneys specializing in equity law suites told me they'd like the best available information about the ways spending money will make a big difference for youngsters from low income families, and for students who haven't done well in traditional schools. These attorneys believe that proposing how funds would be spent, and citing research to support their cases would increase the likelihood of winning.

There's much more to stay about equity funding, but I want to turn now to three other approaches that will help promote equity of outcomes. More money can make a difference. It must be a factor. There are other key changes which are needed, and once again Congress can play a key role.

As my colleague Elaine Salinas of the Twin Cities Urban League notes in attached testimony:

"The issue of educational equity must be considered in its broadest context. This means moving beyond the current discussions of equal resources to a discussion of equal outcomes for different groups of American students and how best to accomplish this end. . resources alone will not resolve the disparities which exist. We must be willing to challenge and when necessary, change the basic assumptions which have guided public education for the past 100 years."

Here are three critical areas where Congress could make a difference:

1. Increased parent involvement. When teachers are surveyed by groups like Instructor Magazine or the national education group Phi Delta Kappa, they say the number one way to increase student achievement is to increase parent involvement. As a former public school teacher and administrator, that makes sense to me.

Elaine Salinas of the Twin Cities Urban Coalition and I agree. Salinas and other community activists recently completed a report, Children of Color: A Wakeup Call to the Community. The Minneapolis and St. Paul Public Schools spent more than 75% of the school districts in the state of Minnesota. The Minneapolis schools spent more than 80%, including many suburbs. Nevertheless, many youngsters from communities of color are failing: dropout rates of 25-45% among the various communities.

The Children of Color report has several recommendations. Its first priority is "Removing barriers to parent and community involvement and activism in the education of children." To help accomplish this, the report recommends providing training to parents, educators and prospective educators, targeting outreach efforts to low income communities of color, increasing representation of communities of color on educational decision-making bodies."

With federal support, Joyce Epstein of Johns Hopkins studied inner city elementary and secondary schools to determine the best predictors of parent involvement. She found it was not the parents' income, educational or marital status. The best predictor of parent involvement was what the school did to promote and encourage it.

But do colleges of education help prospective teachers and administrators learn how to promote parent involvement? Several Humphrey Institute students and I studied course catalogs at 27 Minnesota colleges and universities. We found that most of them did not offer a single course focusing on parent involvement. Of the few courses offered in this area, most focused on early childhood or special education. Only 8 out of more than 1000 courses we reviewed focused on comprehensive parent involvement. We've since looked at college course offerings in several other states and found a similar pattern.

Should we be alarmed by this? Both Dr. James Comer of Yale University of Dr. Epstein of Johns Hopkins say "Definitely yes." Comer's pioneering work increased student achievement in low income areas by bringing educators and parents to-

gether on a variety of projects. But many prospective teachers and administrators have never heard of the man.

Congress could meet with Comer, Epstein and educators who have successfully involved parents from low income groups. It could challenge colleges of education to improve their offerings. It could challenge businesses to allow parents to attend conferences during the day. There is much, much more that Congress could do. Remember, teachers say the best way to increase student achievement is to increase parent involvement.

2. Continue to support youth service efforts. You are moving toward agreement in this critical area. That's great!

We need to move away from a view of young people as empty vessels into which knowledge is poured, toward a view of youth as people who have a great deal to offer and will learn much more if they are actively engaged, doing useful things as they learn academic skills.

For several years, I taught inner city teenagers. One of my favorite classes involved them solving real consumer problems adults referred to them. Students' writing, reading and research skills improved. They saw the value of these skills as they applied them, successfully resolving 80% of the 500+ cases adults gave us.

Numerous examples could be cited. The Senate has recognized the value of youth/community service.

One thought about this issue and national standards. I hope as we move toward some kind of standards, we don't forget to measure and endorse the kind of learning which comes out of high quality youth service. Otherwise, teachers will eliminate this form of education as they "teach to the test."

3. Question the educational system's priorities. Today there are few rewards for schools which do a wonderful job, and few consequences if schools do poorly. Our research showed that 3 of the last 12 Minnesota Teachers of the Year had been laid off because of relatively low seniority. Last year more than half of Minnesota's school districts settled contracts for more than twice as much as the 3% increase they received from the state (an increase at a time when most state agencies were being cut). The predictable result was larger classes and program cuts.

Minnesota is experimenting with a system of rewards for improved outcomes, involving development of chartered public schools. Already we've learned that groups of inner city, suburban and rural teachers want to try this approach: replacing accountability for most rules with accountability for results. (Incidentally, these schools are not allowed to have any form of admissions test.)

Part of the problem in our schools is perhaps illustrated by a suburban district where teachers at an award-winning alternative school asked for a charter after the district said it was giving them a new principal and restricting the way they could operate. The teachers asked for a charter. They were willing to be held accountable for results, but wanted the freedom to operate as they thought made sense. The school board turned down the charter on a 4-3 vote, and then voted 7-0 to tell them that they were fine teachers.

The first charter in St. Paul has brought back a number of students who have dropped out. An attached article notes youngsters are learning more.

Charter schools are a new form of public school choice. They put the emphasis on learning. Legislatures in California, Colorado, Georgia, Massachusetts and New Mexico have agreed to give this a try. It's an experiment that bears watching.

Congress can encourage and assist. You can be a much more active partner in promoting equity of funding and results. Thank you for the opportunity to talk with you today.

EDUCATION EQUITY

The issue of educational equity must be considered in its broadest context. This means moving beyond the current discussion of equal resources, to a discussion of equal outcomes for different groups of American students and how best to accomplish this end. It is sad, but true, that students of color continue to suffer disparate educational outcomes, even in some of this country's more affluent school districts. In a recent study conducted by a local foundation, students of color in the Minneapolis and St. Paul School systems were found to perform significantly lower than their white peers on every indicator of educational success from achievement to graduation rates. This is despite the fact that these two school systems average expenditures of $7,500 per student, far more than many other schools districts in Minnesota and elsewhere.

As a nation, we must take the corrective actions necessary to ensure that all children have access to equal educational resources. At the same time, we must recognize that resources alone will not resolve the disparities which exist. We must be

willing to challenge and, when necessary, change the basic assumptions and practices which have guided public education for the past 100 years.

Senator WELLSTONE. Thank you. I really feel somewhat guilty that you had to rush through your testimony. We've gotten a little behind, and I do apologize to you as well, Paula. It is very important, and we'll continue to go on. It may be that I won't get a chance to ask questions. We have a caucus meeting that start about half an hour ago on—wouldn't you know it—two small issues, one the reconciliation bill, and the other, for the Minnesotans, flood disaster relief. So I will probably have to leave relatively soon.

Thank you very much, Dr. Nathan.

Ms. Prahl.

Ms. PRAHL. Thank you. I'll make my comments very brief. When a group of Fortune 500 businesses is asked to provide grassroots comments on a subject, we jump at the possibility.

Senator WELLSTONE. I don't believe that's an oxymoron, by the way.

Ms. PRAHL. The Partnership has been involved in education policy for a number of years, as you know. We got into the field of education finance simply because every kind of path that we would go down in a limited way to try to improve schools in Minnesota, we would run into a finance roadblock. It was from that perspective that we entered into the field of education finance. We entered only with that notion in mind, got into a much bigger project than we thought about.

As you may or may not know, we were instrumental in providing some research studies of school districts across the State of Minnesota that helped perpetuate a new funding system for the State of Minnesota. The legislature in the last session adopted a plan for a new funding system which we think will help bridge this gap between excellence and equity, providing an equitable funding system for all students which recognizes the variations in need and doesn't recognize the variations in access to revenue. That's the piece we need to figure out.

I am just going to talk briefly about that finance system so that you have some understanding of what it is and then go into what we see as equity issues related to that finance system.

The finance system is three parts. One is core instruction, and that is where the State—and it is yet to be defined—defines what it is it thinks students need to know. That is probably broadly defined, but we don't know yet. The difference from what we currently have now is that it is 100 percent State-financed—there is no property tax mix in there—and it provides the kind of funding that is equitable across the State.

The second distinction there is that the funding is targeted directly to the learning site, no longer to the school district. School districts participate in that funding, but we want to make sure there is equity within districts as well as between districts.

The third is that that funding is tied to outcomes. We see a very clear connection between what these variations in resources provide in terms of what the schools are able to purchase, the kinds of teachers, the kinds of resources, the kinds of buildings, those things. We don't see any connection between what those resources necessarily provide in terms of student learning. That is not to say

that money does not matter. We know it does. What we want to see, though, is an increased look at actually student learning as opposed to the kinds of resources that we can guarantee across that.

The second piece of the funding plan is support services funding, and that is where we recognize the variations in need between districts in terms of a whole host of need-based variations. They vary in terms of transportation—as you know, in Minnesota, transportation is a big issue in terms of school finance. They vary in terms of the kinds of students that come to a school and the kind of economic background they bring, the kind of support they bring when the come to school. So the support services funding provides need-based funding to school districts, probably changing the equity that we are talking about in terms of equal dollars, but nevertheless providing equity in term of on a needs basis.

The third piece is a discretionary services allowance. That allows local districts to tax themselves at a higher rate to provide additional resources as they see need. The difference here is that we are calling for a very strong equalization of the access to revenue there. It is no longer that simply if you've got the revenue, you can tax yourselves; it is an ability of school districts to provide that revenue based on their desire rather than their ability to tax themselves.

I just throw that sort of basic framework out as an idea of how the Federal Government may look at finance systems across the Nation in terms of providing some bridge between excellence and equity.

In terms of the equity concerns that we identify in this study—and it is clear that we are not looking only at equity in terms of redefining the school finance system—I will make the following four points.

One is that equal dollars may not ensure equal student learning progress. That is, we need to make sure that we are recognizing the variations in need that students bring to the table when they enter school. But we need to make sure that our funding is targeted toward needs and not access to revenue.

Two is that there must be shared and clear goals for student learning. One of the things we know in Minnesota, which has a strong local control component, is that students aren't even expected to do the same things and don't have access to the same kinds of courses because small schools are trying to hold onto their district and those kinds of things. We need to make sure that we have a shared vision for student learning, and that needs to be tied to that funding system.

Three, if local control over spending is maintained, there must be equal access to revenue. I have already talked about this a little bit. But I think it is important that we recognize that it is not going to be fast or easy to just yank away local taxing capacity in terms of school districts. That's a pretty valued tenet at least in the State of Minnesota, if not across the Nation.

And four, that the use of property taxes for education funding must be limited. In the State of Minnesota, it is simply imperative that we move property taxes more to local services and not to education. We have a much greater need for a higher level of education across the State, and it is no longer okay for Black Duck to do

something different than the city of Minneapolis does in terms of education for their students.

In terms of Federal role for equity, we see a number of points as critical, but a nevertheless limited role for the Federal Government in terms of changing this. One is to continue to work to ensure learning readiness in the students. That is, if students enter school with inequities in preparation for learning, that will further compound inequities in funding and resource within those school districts. We would encourage the coordination of federally-funded services and the agencies which oversee them; encourage State and local service coordination through Federal grants, and to increase issuance of waivers to Federal rules for communities and States who strive to provide seamless services to families and students.

Second, I think the Federal Government can continue to lead States in defining what students should know and be able to do. We believe in standards, and we believe in those standards being connected with the funding system in a very strong way. We think that is one of the ways we can bridge that gap between excellence and equity.

Third, we need to work to develop assessments of student learning progress. The one thing we know is we can tell how much difference there is in terms of spending in a district; we can't necessarily equate that with variations in student learning progress.

It is important to note that we always use the word "progress" there; we are not talking about an actual outcome goal. We are talking about progress toward that outcome at whatever point it is.

And fourth, we need to review education processes only as they relate to student learning. We oftentimes lose that connection. In the State of Minnesota, for example, we have been talking a lot about class size, as many State are. It is a very hot issue with parents. People are concerned about class size. And yet we fail oftentimes to make the next step, which is what is the actual impact on student learning.

Finally, we need to really look at supporting the development of education to employment programs and complete this complete nexus that I know the Federal Government is working on in terms of how do we make that connection between schools and the kind of expectations that future employers will have. The Federal Government can play a strong role in terms of the credentials for youth apprenticeships, for example, those kinds of things that are going to set the stage for enhanced learning for all students across the Nation in terms of creating an incredibly skilled work force.

Thank you.

[The prepared statement of Ms. Prahl follows:]

PREPARED STATEMENT OF PAULA J. PRAHL

Thank you for opportunity to share our observations on the education finance system in Minnesota. Our work in this field has led us to the conclusion that current finance systems, in their entirety, limit education in two significant ways:

1) the capacity of school systems to educate our future work forces and citizens, and
2) the capacity of education reforms to affect positive change in that education.

Both of these concerns led the Minnesota Business Partnership to the study of education finance issues. As the Partnership worked on reform and improvement in various facets of the education system, finance issues always surfaced.

THE MINNESOTA BUSINESS PARTNERSHIP AND EDUCATION POLICY:

The Partnership, begun in 1977, is focused on public policy issues central to job creation in Minnesota. Since 1982, education quality has been one of four focus areas for the group. Membership of the Minnesota Business Partnership is comprised of CEOs of the 105 largest private employers in the state. Represented in that membership are 18 of the Fortune 500 companies. Partnership member companies employ over 300,000 Minnesotans directly and an additional 300,000 state residents indirectly.

The Partnership's work in education began with significant work on the use of market systems within education. The group worked in concert with educators and others to push for adoption of the nation's first "choice" provisions allowing students to attend any school in the state as well as alternative schools and post secondary institutions. More recent policy work has centered on three critical areas:

1) coordination of services at all levels of government to ensure that students are ready to learn at every level of education,
2) enhancement of the school-to-work transition through the adoption of many work-based learning programs including youth apprenticeships and tech prep programs, and
3) increased student learning through development of results-oriented graduation outcomes and enhanced education management systems supporting increased learning.

Our recent work in education finance is related to all three areas.

The Partnership's recommendations for overhaul of Minnesota's education finance system stem from analysis of the state's current laws, analysis of national trends in education policy and finance reform, and an in depth analysis of the spending in 6 public school systems in the state. From that basis we came to the following conclusions:

- Education spending patterns vary widely in our schools. Significant differentials exist in total per pupil expenditures between school districts and between schools within districts. These disparities are potentially in violation of our constitution and laws and are, in any event, not good public policy.

- The increasing reliance on referendum levies further compounds inequities in funding. Disparities resulting from these referenda are increasing as wealthier districts enact more referenda than do poorer districts. While these inequities in available dollars are growing, there is no Minnesota data supporting the proposition that additional funds have produced higher quality learning.

- Instruction and services related to education are now funded by a variety of revenue sources and provided by a multitude of public entities. Few of these revenue sources and spending units can be tied to particular education services or outcomes. As a result, there is little fiscal accountability in education finance.

- Our historic view of education as a local "property service" is inconsistent with the realities of today's education and employment demands. The state has a greater interest in and accountability for the provision of quality education for Minnesota's children than do local communities, but this interest is not reflected in our system of education finance.

- The current system of education finance is extraordinarily complicated and fragmented, tends to move tax dollars away from instructional programs, inadequately compensates for special learning situations, and lacks incentives toward quality education and mechanisms for evaluating the effectiveness of education expenditures.

- School districts provide a variety of programs and services which are not part of the central education mission, are occasionally duplicative of services provided elsewhere in the community, are not provided in the most effective and efficient ways, and tend to syphon off funding which should be going to the classroom.

- State-imposed mandates place cost and time burdens on educators for which there is no clear return in quality improvement or cost-efficiency.

As a result of this study, the Partnership called for a major overhaul of Minnesota's education finance system and many of the provisions were adopted by the 1993 legislature. Our proposed new education funding system which has three basic components: core instruction, essential support services, and discretionary programs.

Key provisions of **Core Instruction** include:

State has funding responsibility: The constitutional and statutory framework governing education finance should be interpreted to mean that the state should have exclusive responsibility for financing the basic or instructional "core" component of education. This core should be defined as the education programs and services necessary for the average student to achieve prescribed and measurable outcomes at the conclusion of their formal education. The state should perform its responsibility by using its general revenues to pay for 100% of every student's instructional core. The local property tax is not appropriate for these core education services.

Funding targeted directly to learning site: Basic principles of accountability require that the resources be made available to the institutions which we ultimately hold responsible for achieving the desired outcomes. In most instances, these sites will be the schools. A key function of school districts, therefore, will be to ensure that the core funding dollars reach the schools or other learning sites having responsibility for achieving the outcomes.

Funding is tied to outcomes: A central goal of the redesigned funding system is to create a fundamental link between core funding and desired education outcomes. Linked together, education outcomes -- which are established to challenge all students -- and a redesigned funding system have the power to encourage significant gains in student learning.

Key provisions of **Support Services Funding** include:

Additional services require state funding: There are important services not provided directly through the core instructional aid that are essential to allow all students to achieve desired outcomes, and these also need state support. These services include such disparate items as school buses, career counseling, libraries, social workers, special language instruction, disease immunizations, and subsidized school lunches.

Support Services are need-based: The services needed by each student will vary according to their individual needs. The concept of the instructional core assumes that a basic package of instructional programs are needed by every student; the concept of support services assumes that each of the students needs support services of types and in amounts suited to each.

Separate funding mechanism is required: Because the need for support services will vary depending on local circumstances, funding for these services should not be restricted to a specified amount per student (as is core funding). In most instances, these services are best provided by persons other than classroom teachers or aides. In most instances, comparable services are already provided by other public or private institutions, and expanding those services to school children (rather than having the schools duplicate the services) will be a more effective and cost efficient method of providing them.

Coordinated services is required: Funding for support services needs to provide incentive for coordination of services between governmental and private providers. The essential support services funding mechanism should allow for identification of the most effective and efficient provider of each service in each region of the state. It is absolutely essential that the funding mechanism require coordination of and encourages co-location of services.

Key provisions of Discretionary Services include:
Local discretion is allowed: These services include those education programs and services which are not part of the core or the essential support services packages. They are not directly related to meeting the graduation outcomes but may be desired by local taxpayers and school districts. Examples of such services include costs associated with a school board and superintendent, athletics and co curricular activities, academic courses in excess of the core program, and capital costs beyond those necessary for the delivery of the core.
Equalization is required: A disadvantage of using local revenues is the fact that localities differ widely in their tax capacity or relative wealth. Because of the inequities in the tax capacity of various communities, the funding for discretionary services should be partially equalized through a technique called "power equalization." By this is meant that all school districts choosing to provide discretionary services would deposit a percentage of the revenues generated for discretionary program levies into a statewide "pool" which would be re-distributed back to the funding districts on the basis of their relative tax capacity.

EQUITY CONCERNS:
Inherent in our recommendations for a new education finance system are concerns about equity. Our continuing concerns about equity in education are summarized in the following four points:

1) Equal dollars may not ensure equal student learning progress. While the Partnership argued for an increased state role in education funding, which in turn limits spending disparities, we do not argue that equal spending will ensure equal student learning. We have no basis for that argument. We, in fact, have crafted our new education finance system to be linked to actual student learning. While in the beginning, spending will be more uniform between districts, over time, as student learning progress is charted, spending variations may increase. There will be a difference in these spending differences, however. They will be need-based and student learning driven, and not the result of greater access to revenue. Equity in student learning progress is more important than spending equity.

2) There must be clear and shared goals for student learning. Globalization of the economy requires a greater state interest in the education of students. Without such concern for common educational goals, education could be inequitable simply because local decisions on curriculum may not be consistent with global educational demands.

3) If local control over spending is maintained, there must be equal access to revenue. Variations in relative property wealth of districts drives the current spending differences. Districts which are "property rich" have greater access to revenue. Equalization of access to revenue between districts is critical to ensuring quality, equitable education across the state. It is important to note that such equalization of access may not ensure equal spending. Local public will may limit additional spending for education. Equalization of access to additional revenue would result in the following significant difference from our present system: lack of public will to support additional funding for education would no longer be confused with lack of access to revenue.

4) Use of the property tax for education funding must be limited. Even in Minnesota, where significant provisions exist to limit the regressivity of the tax, there are still limitations on the ability of property taxes to capture true ability to pay. By both limiting the use of property taxes for education and equalizing access to revenue from such taxes, equity in education funding and access can be ensured.

POTENTIAL FEDERAL ROLE:
The role for the federal government in education funding is necessarily limited. As an organization of business leaders, we see the federal deficit as a real threat to economic vitality. Consequently, we see n [illegible]creased federal role in the funding of general education. It is clear that state and local funding is the central driver of education throughout the nation. It is imperative that congress limit the passage of unfunded federal mandates and the federal use of state sources of taxation. Such action is necessary to support continued and increased state and local funding of education.

Even with these limitations in new funding role for education the federal government can, however, play a significant role in supporting educational change and increased student learning in the following ways:

1) **Work to ensure learning readiness.** Students must enter schools, every day, without the kind of inequities of preparation that further compound funding variations. At the federal level, this involves attention to three key areas:

1) coordination of federally funded services and the agencies which oversee them,
2) encouragement of state and local service coordination through federal grants, and
3) increased issuance of waivers to federal rules for communities and states who strive to provide seamless services for students and their families.

2) **Lead states in defining what students should know and be able to do.** While we have argued in our report that the state has a greater interest in the education of children, it is clear that national attention to the current and future educational demands of the economy may be necessary to ensure equitable and serviceable education across the U.S. Many states, like Minnesota, are making significant progress in redefining their education systems on a student outcome basis. Federal support of this through definition of national standards in disciplines is very useful.

3) **Work to develop assessments of student learning progress.** One of the most critical needs of our new education finance system is the development of assessments of student learning progress. Since equity in student learning progress is more critical than spending equity, it is imperative that quality assessments of student learning be developed. Central to these assessments is a focus on the learning progress and not the attainment of a specific outcome. Such a focus ensures that learning is encouraged at all levels.

4) **Review education processes only as they relate to student learning.** It is tempting to try to equalize or standardize the processes of education systems, in hopes of equalizing the student learning within those systems. Unfortunately such action does not guarantee equal learning. Federal assistance in defining the educational processes critical to student achievement may be helpful. Once defined they can provide a framework for improving education. Such work however must always be tempered by demonstrated impact on student learning.

5) **Support the development of education to employment programs.** Many states, like Minnesota, are moving forward in the development of enhanced school-to-work transition programs which seek to provide the kind of training required by jobs of the future. Such programs include youth apprenticeships, tech prep programs, and youth service opportunities. These programs will not progress without the development of national credentials, certifying student competencies in multiple occupations throughout the nation. Such work will assist in linking education with the economic demands of the future. Because there is a strong federal role in national accreditation, it is appropriate for the federal government to provide financial assistance to states to encourage the development of youth apprenticeship and related programs.

Senator WELLSTONE. Thank you, Paula.

Let me thank each of you, Paula, Joe and Kern. With your permission, I would like to submit some questions to you in writing and probably talk to you further, because we are just plain out of time. I thank you very much, and believe me, there will be follow-up.

The subcommittee stands adjourned.

[Whereupon, at 1:10 p.m., the subcommittee was adjourned.]

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ISBN 0-16-041731-7